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Our reference:
Your reference:
Date: 16 April 2013

To all Members of the Corporate Governance Group

Dear Councillor

A meeting of the CORPORATE GOVERNANCE GROUP will be held on Wednesday 24 April 2013 at 7.00 pm in **Committee Room 1**, Civic Centre, Pavilion Road, West Bridgford to consider the following items of business.

Yours sincerely

Executive Manager Operations and Corporate Governance

AGENDA

1. Apologies for absence
2. Declarations of Interest
3. Notes of the Meeting held on Wednesday 30 January 2013 (pages 1 - 8).
4. External Audit Plan 2012/13

The report of the Executive Manager - Finance and Commercial is attached (pages 9 - 31).

5. Certification of Grants and Returns – Annual Report 2011/12

The report of the Executive Manager - Finance and Commercial is attached (pages 32 - 40).

6. Internal Audit Progress 2012/13

The report of the Executive Manager - Finance and Commercial is attached (pages 41- 51).

7. Internal Audit Strategy 2013/14

The report of the Executive Manager Finance and Commercial is attached (pages 52 - 63).

8. Risk Management Update

The report of the Executive Manager Operations and Corporate Governance is attached (pages 64 - 67).

9. Finance Update

The Executive Manager Finance and Commercial will provide a verbal update.

10. Work Programme

The report of the Executive Manager Operations and Corporate Governance is attached (pages 68 - 69).

Membership

Chairman: Councillor G S Moore

Vice-Chairman: Councillor E A Plant,

Councillors N A Brown, J E Cottee, R Hetherington, K A Khan, B A Nicholls and H Tipton

Meeting Room Guidance

Fire Alarm Evacuation: in the event of an alarm sounding please evacuate the building using the nearest fire exit, normally through the Council Chamber. You should assemble in the Nottingham Forest car park adjacent to the main gates.

Toilets are located opposite Committee Room 2.

Mobile Phones: For the benefit of others please ensure that your mobile phone is switched off whilst you are in the meeting.

Microphones: When you are invited to speak please press the button on your microphone, a red light will appear on the stem. Please ensure that you switch this off after you have spoken.

NOTES
OF THE MEETING OF THE
CORPORATE GOVERNANCE GROUP
WEDNESDAY 30 JANUARY 2013

Held at 7.00 pm in the Council Chamber, Civic Centre, Pavilion Road, West Bridgford

PRESENT:

Councillors G S Moore (Chairman), N A Brown, J E Cottee, B A Nicholls, E A Plant, Mrs M Stockwood (Substitute for B G Dale) and H Tipton

ALSO IN ATTENDANCE:

Councillor J A Cranswick
P Katrak Arlingclose Limited
M Riley RSM Tenon

OFFICERS PRESENT:

A Goodman Member Support Officer
P Randle Deputy Chief Executive (PR)
P Steed Director of Finance

APOLOGIES FOR ABSENCE:

Councillors B G Dale and K A Khan

29. Declarations of Interest

There were none declared.

30. Notes of the Previous Meeting

The notes of the meeting held on Monday 26 November 2012 were accepted as a true record.

31. Treasury Management Presentation

Phiroza Katrak, a representative from Arlingclose Limited, the Council's Treasury Management advisors gave a presentation on the current economic overview, treasury management key principles, challenges, and the management of risk. She reminded Members that back in February 2009 the outlook was very bleak, the banks were collapsing and there was a feeling that things could only get better. Currently, the view in general was that the financial world was slowly recovering, however there were many challenges ahead and growth remained key.

Ms Katrak continued by giving an analysis of the economy in relation to house prices, mortgage availability, unemployment, consumer confidence, inflation, consumer behaviour and growth.

In respect of the fiscal outlook from the Office of Budget responsibility (OBR), the medium term growth prospects were more pessimistic than had been forecast. Government borrowing was expected to be higher as the weaker economy had hit revenues and there was huge uncertainty around all public finance projections.

Inflation was stubborn, running at 2.7%, however employment was robust, which was presenting somewhat of a conundrum. Consumer confidence was still weak, with earnings growth flat or negative due to inflation, and this needed to be overcome in order to boost confidence in the market. The subsequent negative moral was causing a negative impact on consumer confidence. It was noted that uncertainty with the economy and the fear of job losses had influenced consumer behaviour and that although interest rates were low, people were spending less, saving more and repaying mortgages. In relation to the European sovereign debt crisis, very slow progress was being made towards a banking union and the creation of a fiscal union, and peripheral worries remained. The recovery in the United States was anaemic and immediate concern was on the political impasse surrounding spending cuts and the debt ceiling. In the UK, growth was stuttering around 0% and the current forecast was that interest rates would remain low for a longer period of time than had originally been predicted.

Members were reminded that Treasury Management was “the management of the organisation’s investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”. Ms Katrak explained the aims and criteria of suitable Treasury Management Practices required in achieving the treasury management objectives. She reminded Members that the responsibility for borrowing and investments remained with the Council.

Ms Katrak outlined the key principles and objectives for capital expenditure and borrowing. She explained that the plans must be affordable, prudent, sustainable and value for money. In respect of investments the primary objective was the security of capital, followed by liquidity and yield. As the credit markets remained cautious, the major challenge for the Council was finding creditworthy institutions to invest with that provided acceptable levels of risk and that as credit risk remained high, managing risk remained crucial. Turning to the year ahead in 2013/14, Ms Katrak identified the treasury management challenges for the Council as affordability, credit risk, interest rate outlook and the adequacy and use of resources.

The Chairman thanked Ms Katrak for an informative presentation and for answering Members questions.

32. Risk Management – Update on Proposed Changes

The Director of Finance reported that following the senior management restructure, the Executive Manager Operations and Corporate Governance now had responsibility for the areas of risk management, emergency planning and business continuity.

As consequence of the senior management review, the risk management arrangements would be reconsidered to ensure they aligned to the new structure. Furthermore, the Council's emergency and business continuity plans would also be revised to reflect the new management arrangements. Following discussions with the Chairman of the Group, it was therefore proposed that a detailed report would be presented to the meeting of the Group in April.

In response to a question, the Director of Finance assured Members that the Council was comfortable with the current level of risk.

It was AGREED that a detailed Risk Management report be presented to the meeting of the Group in April.

33. **Internal Audit Progress 2012/13**

Mr Riley, a representative from RSM Tenon, the Council's internal auditors, informed Members that in line with the audit plan, four reports had been issued since the last meeting of the Group, for the areas of Asset Management, Disabled Grant Facilities, Domestic Violence, and Council Tax and NNDR. He informed Members that the assurance level for all the audits was green, the highest achievable, with only one medium risk recommendation from the Domestic Violence audit. There were currently four audits in progress or at the draft stage and these would be presented to subsequent meetings of the Group. At the request of the Director of Finance, the planned audits for Temporary Accommodation and Community Facilities had been deferred until the next financial year, due to the service reviews that were currently being undertaken.

In response to concerns about the number audits still outstanding for the current year, Mr Riley accepted that there had been delays due to staffing issues, however all the scheduled work would be completed within the set timescales. The Director of Finance explained that many of the remaining audits related to financial systems and that some of the work overlapped. Due to the current workload in Finance and the availability of staff, it was possible that some of the work would need to be deferred until early next year.

Action **the Director of Finance to liaise with Mr Riley to ensure all outstanding audits are completed in accordance with the Audit Plan 2012/13**

34. **Revenue & Capital Budget Monitoring**

The Group considered the report of the Director of Finance that gave details and explanations of significant variances against the profiled budget to 31 December 2012.

The Revenue budget monitoring reports indicated an underspend against the profiled budget of £568,000, with a projected favourable variance of £295,000 for the year. Currently there were no proposals to utilise the £591,000 of earmarked reserves that had been available for the current financial year, however, this position could alter if the Council incurred any one off costs. Officers informed Members that the underspend to date reflected a number of

variances which included additional income from the Green Waste scheme and savings on staffing costings.

As previously reported, it was projected that there would be an overspend in Financial Services, due to additional staffing costs and low levels of return on investments. However, since the last Revenue and Capital monitoring report in September, the forecast outturn for Transformation had changed from an overspend to an underspend.

In respect of the Capital budget monitoring, the report indicated a projected favourable variance of £1,793,000 for the year against a current budget of £5,673,000. The main projected underspends related to £43,000 in respect of the ICT Strategy, £715,000 for the Cotgrave Masterplan, £100,000 from the vehicle replacement programme and £727,000 from the delayed Alford Road Options re-appraisal and underspends on affordable housing grants. In addition, £14,000 would require rephasing into 2013/14 for works to the changing rooms at Rushcliffe Leisure Centre and £40,000 for new play equipment at the Hook. Although the projected outturn for the capital programme was significantly lower than budgeted, this was primarily due to the timing of individual projects.

It was AGREED the current projections for revenue and capital outturn including the proposed rephasing of £54,000 into the 2013/14 capital programme, be noted.

35. Finance Update Report

The Group considered the report of the Director of Finance that gave an update on the progress in respect of the issues identified during the audit of the Council's Statement of Accounts for 2011/12.

The Director of Finance reported that since the last meeting of the Group in November 2012, staff resources had been continued to be targeted and that good progress had been made. The reconciliations had been completed to the end of September 2012 and it was anticipated that the next target to reconcile to the 31 December 2012 by the end of February would be met. During February, the Council's External Auditor, KPMG, had agreed to conduct a review of the work that was being undertaken in order to identify any areas for improvement prior to the final accounts process later in the year. Good progress had also been made in addressing staffing and skills shortfalls, with appointments being made to the new Service Manager, Group Accountant and Systems Officer roles.

In response to questions regarding staffing, Members were informed that the overspend was due to employing three temporary staff and the overlap of the interim Head of Finance and the Director of Finance. The new appointments were as a result of retirement and redundancy, and that overall, the staffing levels would only be increased by the addition of an apprentice and a trainee accountant.

Members requested that a further short progress update be brought to the next meeting of the Group in April 2013.

Action **the Director of Finance to provide a short update on the progress in Finance at the next meeting of the Group in April 2013**

It was AGREED that the progress on the actions undertaken to address the issues identified, be noted.

36. Work Programme

The Group considered the report of the Director of Finance that set out details of the proposed work programme for the municipal year 2012/13 and 2013/14.

The Director of Finance informed the Group that following discussion with the Chairman it was proposed that the meeting scheduled for 8 May 2013 be cancelled and the items transferred to the April and June meetings.

The Group AGREED to the cancellation of the meeting scheduled for the 8 May and the resultant Work Programme as set out below

Date of Meeting	Item
24 April 2013	<ul style="list-style-type: none"> • Internal Audit Progress 2012/13 • Internal Audit Strategy 2013/14 • Certification of Claims and Returns • Joint Working Protocol – Financial Statements Audit • Risk Management Update • Work Programme
8 May 2013	Meeting cancelled
6 June 2013	<ul style="list-style-type: none"> • Internal Audit Progress Report 2013/14 • Internal Audit Annual Report 2012/13 • Revenue & Capital Budget Monitoring • Fraud & Irregularities 2012/13 • Annual Governance Statement 2012/13 • Corporate Governance Annual Report 2012/13 • Health and Safety Annual Report • Work Programme
19 September 2013	<ul style="list-style-type: none"> • Internal Audit Progress Report 2013/14 • Statement of Accounts 2012/13 • External Auditors Annual Governance Report 2012/13 • Revenue & Capital Budget Monitoring • Treasury Management Update • Work Programme

Date of Meeting	Item
7 November 2013	<ul style="list-style-type: none"> • Internal Audit Progress Report 2013/14 • Annual Audit Letter • Revenue & Capital Budget Monitoring • Health and Safety Interim report • Risk Management Update • Work Programme
6 February 2014	<ul style="list-style-type: none"> • Internal Audit Progress Report 2013/14 • Treasury Management Update and Presentation • Risk Management Update • Revenue & Capital Budget Monitoring • Work Programme

The meeting closed at 8.20 pm.

Action Sheet
CORPORATE GOVERNANCE GROUP
WEDNESDAY 30 JANUARY 2013

Minute Number	Actions	Officer Responsible
30 Notes of the Previous Meeting	None	
31 Treasury Management Presentation	None	
32 Risk Management – Update on Proposed Changes	None	
33 Internal Audit Progress Report 2012/13	Liaise with Mr Riley to ensure all outstanding audits are completed in accordance with the Audit Plan 2012/13	Director of Finance
34 Revenue and Capital Budget Monitoring	None	
35 Finance Update	Provide a short update on the progress in Finance at the next meeting of the Group in April 2013	Director of Finance
36 Work Programme	None	

**Action Update from Corporate Governance Group
Wednesday 30 January 2013**

Minute Number	Actions	Officer Responsible	Response
33 Internal Audit Progress Report 2012/13	Liaise with Mr Riley to ensure all outstanding audits are completed in accordance with the Audit Plan 2012/13	Executive Manager - Finance and Commercial	A member of the RSM Tenon team will attend the meeting to present progress on the Internal Audit Plan.
35 Finance Update	Provide a short update on the progress in Finance at the next meeting of the Group in April 2013	Executive Manager - Finance and Commercial	A verbal update will be provided by the Executive Manager - Finance and Commercial.

Report of the Executive Manager - Finance and Commercial

Summary

The attached report from KPMG summarises their approach to external audit activity with regard to the 2012/13 final accounts process.

Recommendation

It is RECOMMENDED that the report be accepted.

Details

1. Each year the Council is required to produce a draft Statement of Accounts by the 30 June which is then subject to review by the Authority's external auditors KPMG. Following the conclusion of this work the final Statement of Accounts, and the auditor's Annual Governance Report, are considered by the Corporate Governance Group prior to their approval by full Council. For the 2012/13 Statement of Accounts the dates for these two meetings are the 19 and 26 September respectively.
2. The attached report details the approach that KPMG will use when auditing the 2012/13 Statement of Accounts. It specifies the work they will undertake, when they anticipate undertaking this work, and how they will liaise with Council staff.
3. KPMG staff will be available to answer any detailed questions arising from the report.

Financial Comments

The audit fee relating to the costs of the audit work is included within the existing budgets.

Section 17 Crime and Disorder Act

There are no Section 17 issues.

Diversity

There are no diversity issues.

Background Papers Available for Inspection: Nil



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External Audit Plan 2012/13

Rushcliffe Borough Council

April 2013



The contacts at KPMG in connection with this report are:

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

This document describes how we will deliver our audit work for Rushcliffe Borough Council.

Scope of this report

We are pleased to be appointed as your external auditors for 2012/13. This document supplements our *Audit Fee Letter 2012/13* sent to you in August 2012. It describes how we will deliver our financial statements audit work for Rushcliffe Borough Council ('the Authority'). It also sets out our approach to value for money (VFM) work for 2012/13.

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary.

Statutory responsibilities

Our statutory responsibilities and powers are set out in the *Audit Commission Act 1998*, the *Local Government Act 1999* and the Audit Commission's *Code of Audit Practice*.

The *Code of Audit Practice* summarises our responsibilities into two objectives, requiring us to review and report on your:

- *financial statements (including the Audit Highlights Report (formerly the Annual Governance Statement):* providing an opinion on your accounts; and
- *use of resources:* concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The Audit Commission's *Statement of Responsibilities of Auditors and Audited Bodies* sets out the respective responsibilities of the auditor and the Authority.

Structure of this report

This report is structured as follows:

- Section 2 includes our headline messages, focusing on the key risks identified this year for the financial statements audit
- Section 3 describes the approach we take for the audit of the financial statements
- Section 4 explains our approach to VFM work.
- Section 5 provides information on the audit team, our proposed deliverables, the timescales and fees for our work.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

We have identified two key risk that we will focus on during the audit of the 2012/13 financial statements.

This is described in more detail on page 10.

The remainder of this document provides information on our:

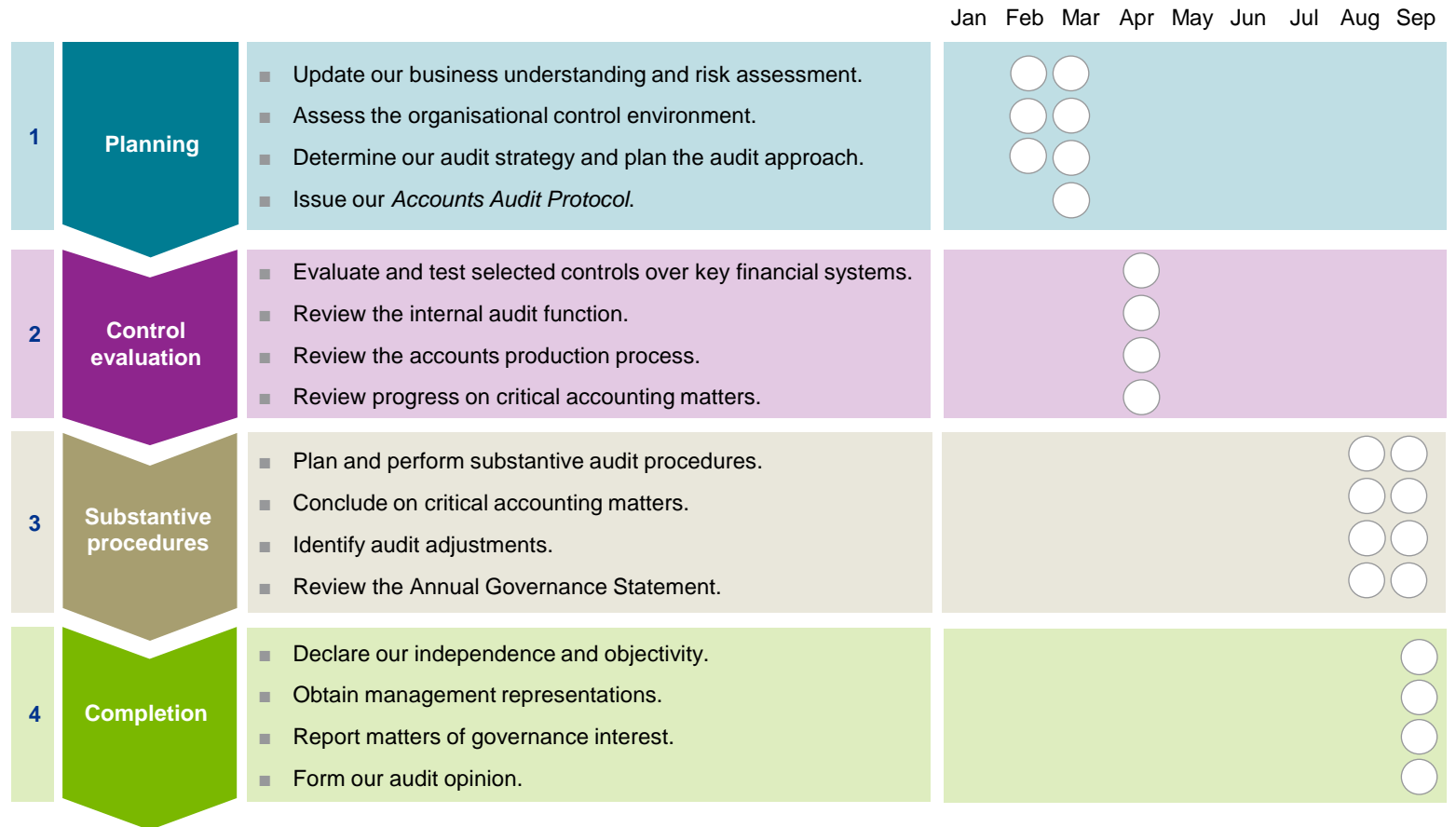
- approach to the audit of the financial statements;
- approach to VFM work; and
- audit team, proposed deliverables, timescales and fees for our work.

Area	Risk	Audit work
<p>Reconciling the bank statement to accounting records</p>	<p>The 2011/12 Annual Governance Report reported weaknesses in the arrangements for undertaking bank reconciliations during the year. There were un-reconciled items in the year end bank reconciliation which required further follow up by management.</p> <p>Our early work on the bank reconciliation indicates that progress continues to be made, although some issues remain.</p>	<p>We have already carried out specific audit work on your bank reconciliation and will continue to do so over the interim and final accounts audit.</p>
<p>Staff capacity</p>	<p>Both the 2010/11 and 2011/12 Annual Governance reports highlighted staff capacity issues within the finance team. If unresolved, this could represent a risk to the Authority's ability to prepare its financial statements within the statutory timescales.</p>	<p>We are liaising with your Executive Manager (Finance and Commercial) to understand the measures put in place to enhance capacity and to review your arrangements for year end closedown and accounts preparation.</p>

We undertake our work on your financial statements in four key stages during 2013:

- **Planning** (February to March).
- **Control Evaluation** (April).
- **Substantive Procedures** (August to September).
- **Completion** (September).

We have summarised the four key stages of our financial statements audit process for you below:



During February to March 2013 we will complete our planning work.

We assess the key risks affecting the Authority's financial statements and discuss these with officers.

We assess if there are any weaknesses in respect of central processes, including the Authority's IT systems, that would impact on our audit.

We determine our audit strategy and approach, and agree a protocol for the accounts audit, specifying what evidence we expect from the Authority to support the financial statements.

Our planning work takes place between February and March 2013. This involves the following aspects:

Planning

- Update our business understanding and risk assessment.
- Assess the organisational control environment.
- Determine our audit strategy and plan the audit approach.
- Issue our *Accounts Audit Protocol*.

Business understanding and risk assessment

We update our understanding of the Authority's operations and identify any areas that will require particular attention during our audit of the Authority's financial statements.

We identify the key risks affecting the Authority's financial statements. These are based on our knowledge of the Authority, our sector experience and our ongoing dialogue with Authority staff. At this stage we have identified two key risks which are set out in this document at pages 3 and 10. Our audit strategy and plan will, however, remain flexible as the risks and issues change throughout the year. It is the Authority's responsibility to adequately address these issues. We encourage the Authority to raise any technical issues with us as early as possible so that we can agree the accounting treatment in advance of the audit visit.

We meet with the Executive Manager (Finance and Commercial) from time to time to discuss issues. We also hold a planning meeting with the finance team to consider how these issues are addressed during the financial year end closedown and accounts preparation.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would impact on our audit.

In particular risk management, internal control and ethics and conduct have implications for our financial statements audit. The scope of the work of your internal auditors also informs our risk assessment.

The Authority relies on information technology (IT) to support both financial reporting and internal control processes. In order to satisfy ourselves that we can rely on the use of IT, we test controls over access to systems and data, system changes, system development and computer operations. Whilst we undertake some general IT controls work, we also focus on testing the specific applications and reports that are pivotal to the production of the financial statements.

Audit strategy and approach

The Engagement Lead sets the overall direction of the audit and decides the nature and extent of audit activities.

We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of judgement and is set by the Engagement Lead.

Accounts audit protocol

At the end of our planning work we will issue our Accounts Audit Protocol. This important document sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide during our interim and final accounts visits.

We have met with the Executive Manager (Finance and Commercial) to discuss our approach for 2012/13.

During April 2013 we will complete our interim audit work.

We assess if controls over key financial systems were effective during 2012/13. We work with your Internal Audit team to avoid duplication.

We work with your finance team to enhance the efficiency of the accounts audit.

Our interim visit on site will be completed during April 2013. During this time we will complete work in the following areas:

Control Evaluation

- Evaluate and test controls over key financial systems identified as part of our risk assessment.
- Review the work undertaken by the internal audit function on controls relevant to our risk assessment.
- Review the accounts production process.
- Review progress on critical accounting matters.

Controls over key financial systems

We update our understanding of the Authority's key financial processes where our risk assessment has identified that these are relevant to our final accounts audit and where we have determined that this is the most efficient audit approach to take. We confirm our understanding by completing walkthroughs for these systems. We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Where our audit approach is to undertake controls work on financial systems, we seek to rely on any relevant work Internal Audit have completed to minimise unnecessary duplication of work. Our audit fee is set on the assumption that we can place reliance on their work.

Review of internal audit

Where we intend to rely on internal audit's work in respect of the key financial systems identified as part of our risk assessment, auditing standards require us to review aspects of their work. This includes re-performing a sample of tests completed by internal audit. We will provide feedback to the Executive Manager (Finance and Commercial) at the end of our interim visit.

Accounts production process

The Annual Governance Report (ISA 260 Report) 2011/12 highlighted issues in relation to staff capacity within the finance team. The Authority's accounts were not prepared in time to meet the 30 June deadline, and were not supported by a full set of working papers at the start of the audit visit on 20 August.

We will assess the Authority's progress in preparing for the closedown and accounts preparation for 2012/13.

Critical accounting matters

We will discuss the work completed to address any specific risks we identified at the planning stage. Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

We will be on site for our substantive work in August and September 2013.

We complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas. We then agree any audit adjustments required to the financial statements.

We also review the Annual Governance Statement for consistency with our understanding.

We will present our *ISA 260 Report to the Corporate Governance Group* in September 2013.

Our final accounts visit on site has been provisionally scheduled for the period 12 August 2013 to 6 September 2013. During this time, we will complete the following work:

Substantive Procedures

- Plan and perform substantive audit procedures.
- Conclude on critical accounting matters.
- Identify and assess any audit adjustments.
- Review the Annual Governance Statement.

Substantive audit procedures

We complete detailed testing on significant balances and disclosures. The extent of our work is determined by the Engagement Lead based on various factors such as our overall assessment of the Authority's control environment, the effectiveness of controls over individual systems and the management of specific risk factors.

Critical accounting matters

We conclude our testing of the key risk areas as identified at the planning stage and any additional issues that may have emerged since. We will discuss our findings of the Authority's approach to address the key risk areas with the Executive Manager (Finance and Commercial) prior to reporting to the Corporate Governance Group in September 2013.

Audit adjustments

During our on site work, we will discuss with the finance team, on a weekly basis, of the progress of the audit, any differences found and any other issues emerging.

At the end of our on site work, we will hold a closure meeting, where we will provide a schedule of audit differences and agree a timetable for the completion stage and the accounts sign off.

To comply with auditing standards, we are required to report uncorrected audit differences to the Corporate Governance Group. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Annual Governance Statement

We are also required to satisfy ourselves that your Annual Governance Statement complies with the applicable framework and is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are key to this.

We report the findings of our final accounts work in our *ISA 260 Report*, which we will issue to Corporate Governance Group in September 2013.

In addition to the financial statements, we also audit the Authority's Whole of Government Accounts pack.

We may need to undertake additional work if we receive objections to the accounts from local electors.

We will communicate with you throughout the year, both formally and informally.

Whole of government accounts (WGA)

We are required to review and issue an opinion on your WGA consolidation to confirm that this is consistent with your financial statements. The audit approach has been agreed with HM Treasury and the National Audit Office.

Elector challenge

The Audit Commission Act 1998 gives electors certain rights. These are:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the Audit Commission's fee scales.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the Executive Manager (Finance and Commercial) and the Corporate Governance Group. Our deliverables are included on page 15.

Use of off-shore audit resources

During our audit work we may make use of our KPMG Global Services (KGS Audit) team in India to undertake certain basic audit tasks and functions. Use of this 'off-shore' team is one of many initiatives we employ to deliver a cost-effective audit service for our clients. Although based in India, the KGS Audit team works closely with our local audit teams to undertake certain audit procedures remotely. We have provided our UK teams with guidance on the types of audit procedures and other tasks that it is suitable and permissible to use KGS Audit for - we do not use KGS Audit for any audit procedures that involve access to personal, confidential or sensitive information. Audit tasks are then allocated by our UK-based engagement teams to dedicated teams in India, allowing local staff to control what work KGS Audit undertakes and what information is accessed. They operate to our same quality standards and all work undertaken by KGS Audit is reviewed by the UK team.

The KGS Audit team operates in a paperless environment and we apply robust processes to control how data is accessed and used:

- all work is conducted electronically;
- all data files are maintained on servers in the UK with restricted access and only viewed on screen in India. These servers are governed by established KPMG IT controls;
- policy and technology restrictions are in place to protect data, for example locked down USB ports, no external emailing, no printing;
- KGS Audit staff are based in an office with restricted access and security; and
- the team members adhere to global KPMG ethics and independence standards, along with requirements governing the non-disclosure of client information.

Our independence and objectivity responsibilities under the Code are summarised in Appendix 1. We confirm our audit team's independence and objectivity is not impaired.

Independence and objectivity confirmation

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement lead and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

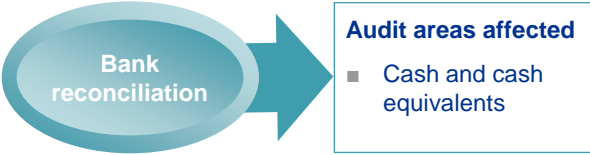

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the full Council and its Corporate Governance Group.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 Integrity, Objectivity and Independence requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Confirmation statement

We confirm that as of the date of this report in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

In this section, we outline the impact of the key audit risks on our audit plan.

Key audit risk	Impact on audit
	<p>Risk</p> <p>The 2011/12 Annual Governance Report reported weaknesses in the arrangements for undertaking bank reconciliations during the year. There were un-reconciled items in the year end bank reconciliation which required further follow up by management.</p> <p>Our early work on the bank reconciliation indicates that progress continues to be made, although some issues remain.</p> <p>The bank reconciliation is a key control and provides us with assurance over the accuracy of accounting records. It also shows us how accrued cash position of the Authority at year-end has been calculated as reported in the balance sheet. It is therefore important that the Authority continues with its efforts to resolve outstanding issues with the reconciliation.</p> <p>Our audit work</p> <p>We have already carried out specific audit work around this and will continue to do so over the interim and final accounts audit.</p>
	<p>Risk</p> <p>Both the 2010/11 and 2011/12 Annual Governance reports highlighted staff capacity issues within the finance team, which, if unresolved would result in continuing weaknesses in financial controls and governance, as well as the accounts preparation process for 2012/13.</p> <p>The Authority has taken steps to enhance the capacity of the finance team during 2012/13, including the recruitment of a new Executive Manager (Finance and Commercial) and a restructure of the finance team. However, the restructure of the finance team will not be fully implemented until April 2013, so risks may still remain.</p> <p>Our audit work</p> <p>We are liaising with your Executive Manager (Finance and Commercial) to understand the measures put in place to enhance capacity and to review your arrangements for year end closedown and accounts preparation. We have provided a detailed schedule of working papers required for the year end audit.</p>

Our approach to VFM work follows guidance provided by the Audit Commission.

Background to approach to VFM work

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission's *Code of Audit Practice* requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the local government sector.

The approach is structured under two themes, as summarised below.

Specified criteria for VFM conclusion	Focus of the criteria	Sub-sections
The organisation has proper arrangements in place for securing financial resilience .	Whether the organisation has robust systems and processes to: <ul style="list-style-type: none"> ■ manage effectively financial risks and opportunities; and ■ secure a stable financial position that enables it to continue to operate for the foreseeable future. 	<ul style="list-style-type: none"> ■ Financial governance ■ Financial planning ■ Financial control
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness .	Whether the organisation is prioritising its resources within tighter budgets, for example by: <ul style="list-style-type: none"> ■ achieving cost reductions; and ■ improving efficiency and productivity. 	<ul style="list-style-type: none"> ■ Prioritising resources ■ Improving efficiency and productivity

We will follow a risk based approach to target audit effort on the areas of greatest audit risk.

Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.



Each of these stages are summarised further below.

VFM audit stage	Audit approach
VFM audit risk assessment	<p>We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the <i>Code of Audit Practice</i>.</p> <p>In doing so we consider:</p> <ul style="list-style-type: none"> ■ the Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ information from the Audit Commission's VFM profile tool and financial ratios tool; ■ evidence gained from previous audit work, including the response to that work; and ■ the work of the Audit Commission, other inspectorates and review agencies.

Our VFM audit will draw heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit.

We will then form an assessment of residual audit risk to identify if there are any areas where more detailed VFM audit work is required.

Where relevant, we may draw upon the range of audit tools and review guides developed by the Audit Commission.

We will report on the results of the VFM audit through our *Report to those charged with governance*.

VFM audit stage	Audit approach
Linkages with financial statements and other audit work	<p>There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities.</p> <p>We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.</p>
Assessment of residual audit risk	<p>It is possible that further audit work may be necessary in some areas to ensure sufficient coverage of the two VFM criteria.</p> <p>If a significant amount of work is necessary then we will need to review the adequacy of our agreed audit fee.</p>
Identification of specific VFM audit work	<p>If we identify residual audit risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case.</p>

Your audit team has been drawn from our specialist public sector assurance department. The Director and Manager have been involved in the audit for a number of years.

Contact details are shown on page 1.

The audit team will be assisted by other KPMG specialists as necessary.



John Cornett
Director
Engagement Lead

“My role is to lead our team and ensure the delivery of a high quality external audit opinion. I will be the main point of contact for the Corporate Governance Group.”



Trudy Enticott
Manager

“I am responsible for the management, review and delivery of the whole audit and providing quality assurance for any technical accounting areas. I will work closely with John to ensure we add value. I will liaise with the Executive Manager (Finance and Commercial) and the Service Manager (Finance and Commercial) and Internal Audit Manager.”



Thomas Tandy
Assistant Manager

“I will be responsible for the on-site delivery of our work. I will liaise with the finance team and with Internal Audit. I will also supervise the work of our audit assistants.”

At the end of each stage of our audit we issue certain deliverables, including reports and opinions.

Our key deliverables will be delivered to a high standard and on time.

We will discuss and agree each report with the Authority's officers prior to publication.

Deliverable	Purpose	Committee dates
Planning		
External Audit Plan	<ul style="list-style-type: none"> ■ Outline audit approach. ■ Identify areas of audit focus and planned procedures. 	April 2013
Control evaluation and substantive procedures		
Audit Highlights Report (ISA 260 Report)	<ul style="list-style-type: none"> ■ Details the resolution of control and process issues. ■ Details the resolution of key audit issues. ■ Communication of adjusted and unadjusted audit differences. ■ Performance improvement recommendations identified during our audit. ■ Commentary on the Authority's value for money arrangements. 	September 2013
Completion		
Auditor's report	<ul style="list-style-type: none"> ■ Providing an opinion on your accounts (including the Annual Governance Statement). ■ Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion). 	September 2013
Annual Audit Letter	<ul style="list-style-type: none"> ■ Summarises the outcomes and the key issues arising from our audit work for the year. 	November 2013

We will be in continuous dialogue with you throughout the audit.

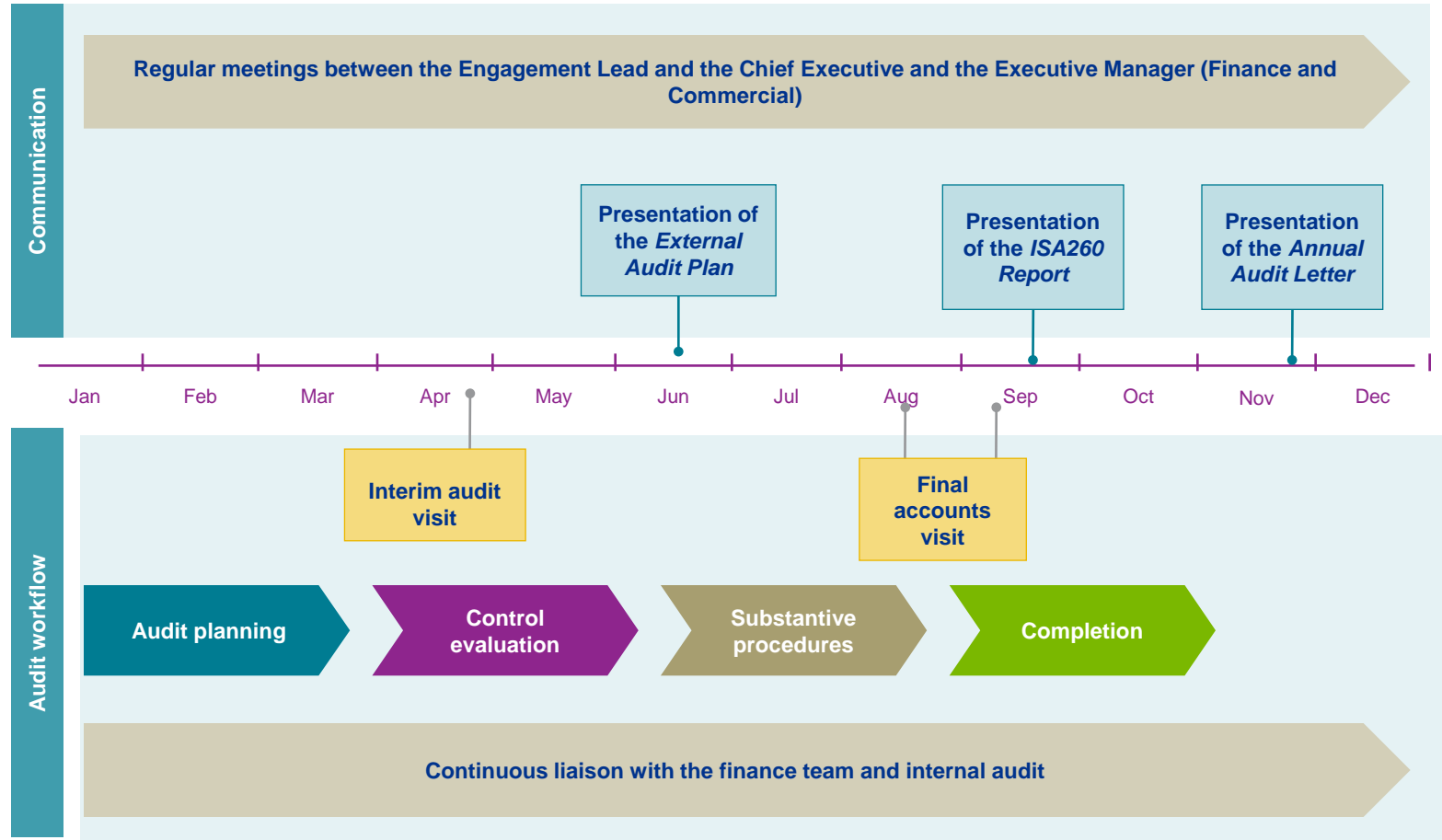
Key formal interactions with the Corporate Governance Group are:

- June– External Audit Plan;
- September – ISA 260 Report;
- November – Annual Audit Letter.

We work with the finance team and internal audit throughout the year.

Our main work on site will be our:

- Interim audit visit during April.
- Final accounts audit during August and September.



Key: ● Corporate Governance meetings.

The main fee for 2012/13 audit of the Authority is £54,150. The fee has not changed from that set out in our *Audit Fee Letter 2012/13* issued in August 2012.

Our audit fee remains indicative and based on you meeting our expectations of your support.

Meeting these expectations will help the delivery of our audit within the proposed audit fee.

Audit fee

Our *Audit Fee Letter 2012/13* sent to you in August 2012 first set out our fees for the 2012/13 audit. We have not considered it necessary to make any changes to the agreed fees at this stage.

Element of the audit	2012/13 (planned)	2011/12 (actual)
Gross audit fee	£54,150	£90,250

Our audit fee includes our work on the VFM conclusion and our audit of the Council's financial statements. The fee for 2012/13 represents a reduction of 40 percent compared to the 2011/12 fee.

Audit fee assumptions

The fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. In setting the fee, we have assumed:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2011/12;
- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the *CIPFA Code of Practice on Local Authority Accounting in the UK 2012/13* within your 2012/13 financial statements;
- you will comply with the expectations set out in our *Accounts Audit Protocol*, including:
 - the financial statements are made available for audit in line with the agreed timescales;
 - good quality working papers and records will be provided at the start of the final accounts audit;

- requested information will be provided within the agreed timescales;
- prompt responses will be provided to queries and draft reports;
- internal audit meets appropriate professional standards;
- internal audit adheres to our joint working protocol and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

The Audit Commission requires us to inform you of specific actions you could take to keep the audit fee low. Your finance team has a good track record of delivering all agreed working papers on a timely basis. This will need to continue if future audit fees are to be kept to a minimum.

Changes to the audit plan

Changes to this plan and the audit fee may be necessary if:

- new significant audit risks emerge;
- additional work is required of us by the Audit Commission or other regulators; and
- additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.

If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Executive Manager (Finance and Commercial) .

This appendix summarises auditors' responsibilities regarding independence and objectivity.

Independence and objectivity

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Authority invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Any staff involved on Commission work who wish to engage in political activity should obtain prior approval from the Partner.
- Audit staff are expected not to accept appointments as lay school inspectors.
- Firms are expected not to risk damaging working relationships by bidding for work within an audited body's area in direct competition with the body's own staff without having discussed and agreed a local protocol with the body concerned.

- Auditors are expected to comply with the Commission's statements on firms not providing personal financial or tax advice to certain senior individuals at their audited bodies, auditors' conflicts of interest in relation to PFI procurement at audited bodies, and disposal of consultancy practices and auditors' independence.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on each audit at least once every five years (subject to agreed transitional arrangements). Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- The Commission must be notified of any change of second in command within one month of making the change. Where a new Engagement Lead or second in command has not previously undertaken audits under the Audit Commission Act 1998 or has not previously worked for the audit supplier, the audit supplier is required to provide brief details of the individual's relevant qualifications, skills and experience.

Appendix 2: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

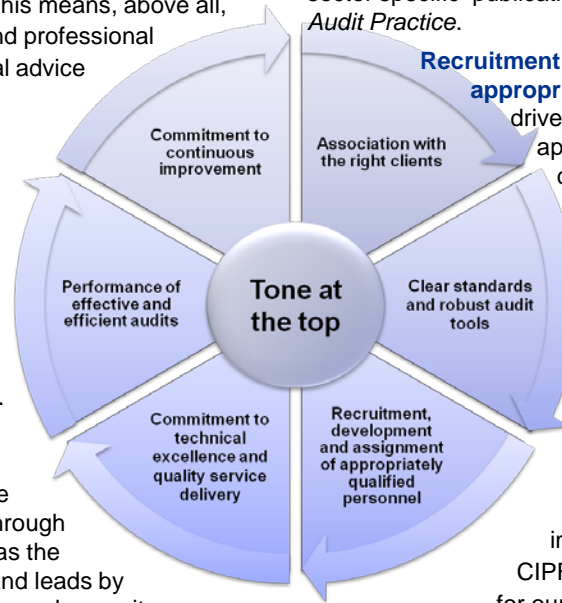
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drivers of quality through a focused and consistent voice. John Cornett as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAUDIT application has significantly enhanced

existing audit functionality. eAUDIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable database, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.



Recruitment, development and assignment of appropriately qualified personnel:

One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based bi-monthly technical training.

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery:

Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviours in the performance of effective and efficient audits. The key behaviours that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

We are able to evidence the quality of our audits through the results of National Audit Office and Audit Commission reviews. The results of the Audit Commission's annual quality review process is made publicly available each year (http://www.audit-commission.gov.uk/audit-regime/Pages/qualityreviewprocess_copy.aspx). The latest report dated October 2012 showed that we performed highly against all the Commission's criteria.



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Corporate Governance Group

24 April 2013

Certification of Grants and Returns – Annual Report 2011/12

5

Report of the Executive Manager - Finance and Commercial

Summary

This report from KPMG summarises the work undertaken during 2012/13 in relation to grant claims and returns for the financial year 2011/12.

Recommendation

It is RECOMMENDED that the report be accepted.

Details

1. The attached report summarises the results of work undertaken by the Council's external auditor on the certification of the Council's 2011/12 grant claims and returns. It should be noted that audit certification was only required for the Housing and Council Tax Benefit Scheme Claim and the National Non-Domestic Rates Return.
2. KPMG staff will be available to answer any detailed questions.

Financial Comments

The costs of the audit are covered within the Authority's existing budgets.

Section 17 Crime and Disorder Act

There are no Section 17 issues.

Diversity

None arising from this report.



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Certification of grants and returns 2011/12

Rushcliffe Borough Council

February 2013



The contacts at KPMG in connection with this report are:

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Assistant Manager

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■ Change of auditor appointment	2
■ Headlines	3
■ Summary of certification work outcomes	4
■ Fees	6

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, who is the engagement leader to the Authority (telephone 0116 256 6064, e-mail john.cornett@kpmg.co.uk) who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees (telephone 0161 236 4000, e-mail trevor.rees@kpmg.co.uk) who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by e mail to: complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

Change of auditor appointment

The change in auditor appointment has not affected the completion of certification work.

The Audit Commission has outsourced all the work formerly undertaken by its internal Audit Practice. KPMG was appointed as your external auditor, for 2012/13 onwards, with effect from 1 September 2012. Under that appointment KPMG also became responsible for completing any aspect of pre-2012/13 audits, including delivery of this annual report on certification work.

We received a report from the Audit Commission's Audit Practice setting out the work they completed on certifying claims and returns before 31 October 2012. We have incorporated their findings and any recommendations into this report.

In all cases the detailed certification work was completed by the Audit Commission's Audit Practice in accordance with certification instructions issued by the Audit Commission before 31 October 2012.

Introduction and background	<p>This report summarises the results of work on the certification of the Council's 2011/12 grant claims and returns.</p> <p>For 2011/12 we certified one claim (Housing and Council Tax Benefits Scheme) with a total value of £22,313,388 and one return (National Non Domestic Rates) with a total value of £20,664,428.</p>	
Certification results	<p>We issued unqualified certificates for the National Non Domestic Rates return but amendment and qualification was necessary for the Housing and Council Tax Benefit Scheme.</p> <p>Three errors were identified that required additional testing. The errors were not significant individually but required further investigation in line with the DWP approach.</p> <p>In accordance with the certification instructions a qualification was mandated as a result of identifying errors of this nature.</p>	Pages 3 – 4
Audit adjustments	<p>Adjustments were necessary to one of the Council's grants and returns as a result of the certification work this year.</p> <ul style="list-style-type: none"> ■ Where errors in the Housing and Council Tax Benefit scheme were identified and these could be quantified accurately, the claim was amended. 	Pages 3 – 4
The Council's arrangements	<p>The Council has good arrangements for preparing its grants and returns and supporting our certification work</p> <ul style="list-style-type: none"> ▪ All grants were submitted on a timely basis and had been correctly identified as requiring certification in line with the certification Instruction Index issued by the Audit Commission. ▪ The records kept in relation to grants and returns were generally accurate and sufficient. 	Page 5
Fees	<p>Our overall fee for the certification of grants and returns is lower than the original estimate .</p> <p>The actual fee charged for the certification of grants and returns is lower than the original estimate.</p>	Page 6

Overall, we certified two grants and returns:

- One was unqualified with no amendment;
- One was qualified and required some amendment to the final figures.

Detailed comments are provided overleaf.

Detailed below is a summary of the key outcomes from our certification work on the Council's 2011/12 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate.

A qualification means that issues were identified concerning the Council's compliance with a scheme's requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

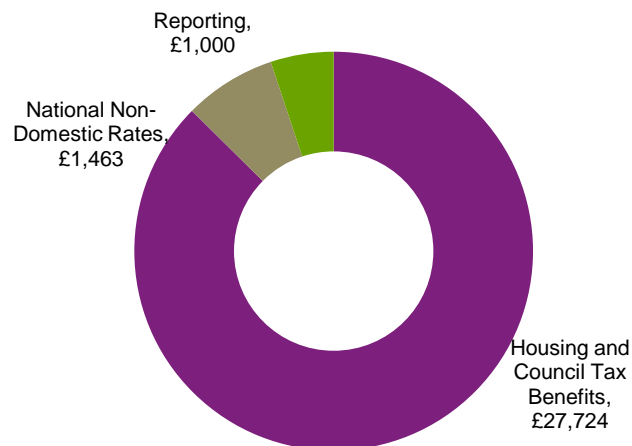
	Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Housing and Council Tax Benefit Scheme	1				
National Non-Domestic Rates Return					
		1	0	1	

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

Ref	Summary observations	Amendment
1	<p>Housing and Council Tax Benefit Scheme</p> <p>The Qualification Letter raised two issues:</p> <ul style="list-style-type: none"> ■ One case where benefit had been incorrectly allocated to cell 99 instead of cell 98. Further testing indicated this was an isolated error. ■ One underpayment, as childcare costs had been calculated incorrectly. Further testing indicated that this was an isolated error. <p>Neither of these issues had been raised in previous years.</p>	-£20,200

Our overall fee for the certification of grants and returns has exceeded original estimate.

Breakdown of certification fees 2011/12



Breakdown of fee by grant/return

	2011/12 (£)	2010/11 (£)
National Non-Domestic Rates	1,463	8,119
Reporting	1,000	(see below)
Housing and Council Tax Benefit Scheme	17,101	9,432
Total fee	19,564	17,551

Our initial estimated fees for certifying 2011/12 grants and returns was £31,000. The actual fee charged was more than 30% lower than that estimate. The main reasons for the fee falling below the original estimate were:

The fee level of the National Non-Domestic Rates return was higher than expected in 2010/11, following a change in the Authority's system part way through the year. The claim submitted for audit in 2010/11 was amended after we had commenced our audit work, requiring additional testing. The claim submitted for 2011/12 was of a higher quality, thus reducing the need for additional testing. For 2011/12, we were also able to apply the cyclical approach to the National Non-Domestic Rates return - the Audit Commission requires detailed testing to be completed for every claim or return every three years, to confirm the auditor's understanding of the control environment and that it is appropriate to place or continue to place reliance upon it. We were able to place reliance on the detailed controls testing undertaken in 2010/11, again reducing the need for further testing.

The increase in the Housing and Council Tax Benefits claim fee arose as errors were found in the initial sample testing. This led to additional testing on the errors identified during our 2011/12, together with the need to prepare a detailed qualification letter for the Department of Work and Pensions. The additional testing and reporting were completed in accordance with the claim certification instructions. Although the fee was higher than that for 2010/11, we were still able to contain the fee to a level below that charged in 2009/10 (£19,960). This was achieved as members of your Housing Benefits Quality Assurance team undertook most of the detailed testing, we reviewed the work undertaken and re-performed samples of their work.

In prior years the cost of reporting was apportioned across the other fees. We report the fees separately now.



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Report of the Executive Manager - Finance and Commercial

Summary

1. The attached report has been prepared by the Council's internal auditors, RSM Tenon. It shows the end of year position against the 2012/13 audit plan.
2. The report details the six audits that have been finalised since the last progress report and the four medium recommendations made as a result of those audits.
3. A member of the internal audit team will attend the meeting to present the report and be available to answer questions.

Financial Comments

The cost of the internal audit service is contained within existing budgets.

Section 17 Crime and Disorder Act

There are no section 17 implications.

Diversity

There are no diversity issues.

Background Papers Available for Inspection: Nil



RSM Tenon
Connected for Success

RUSHCLIFFE BOROUGH COUNCIL

Internal Audit Progress Report

Corporate Governance Group: 24 April 2013

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The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

This report is prepared solely for the use of Board and senior management of Rushcliffe Borough Council. Details may be made available to specified external agencies, including external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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1. INTRODUCTION

- 1.1 The periodic internal audit plan for 2012/13 was approved by the Corporate Governance Group on 29 May 2012. This report summarises the outcome of the work completed to date against that plan, see Appendix A.
- 1.2 All work and reports are submitted through the Executive Manager, Finance and Commercial and the relevant Executive Manager lead prior to being finalised. Individual assignment reports are available for review through the Executive Management team or Chair of the Corporate Governance Group.

2. FINAL REPORTS ISSUED

2.1 We have finalised the following reports since the last CGG:

- Housing Benefits;
- Green Waste;
- Creditors;
- Main Accounting System;
- Virtual Server;
- Mobile Device Security

3. KEY FINDINGS FROM INTERNAL AUDIT WORK

- 3.1 The Corporate Governance Group should note that the assurances given in our audit assignments will be taken into account when we form our overall opinion on the assurance that we can provide in our Annual Report at the end of the year. In particular the Corporate Governance Group should note that any negative assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion.

4. DRAFT REPORTS ISSUED

4.1 We have issued two draft reports since the last CGG:

- Partnerships; and
- Payroll.

5. WORK IN PROGRESS OR PLANNED

5.1 The remainder of the work within the audit plan is currently being finalised ready for issue to the Executive Management team, which includes:

- Governance;
- Tendering;
- Treasury Management;
- Risk Management;
- Debtors;
- Insurance; and

- Development Control.

6. LIAISON WITH MANAGEMENT AND EXTERNAL AUDIT

- 6.1 Ongoing liaison takes place with the Executive Management team when planning and scoping the individual reviews.

7. CHANGES TO OUR PLAN

- 7.1 As reported at the last CGG, the previous Head of Service requested that Temporary Accommodation and Community Facilities internal audit reviews be deferred until 2013/14. It can be confirmed that these have been carried forward to next year's audit plan which is on the agenda as a later item.

APPENDIX A: 2012/13 WORK COMPLETED TO DATE INCLUDING SUMMARY OF ASSURANCE LEVELS AND RECOMMENDATIONS

Reports being considered at this Committee are shown in ***bold italics***.

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	CGG Committee	Assurance level given	Number of Recommendations Made				
								High	Medium	Low	In Total	Agreed
Overtime	JUL 12	24.07.12	08.08.12	24.08.12	28.08.12	SEP	GREEN	0	2	0	2	2
Asset Management	NOV 12	12.11.12	12.12.12	02.01.13	03.01.13	JAN	GREEN	0	0	5	5	5
Disabled Facilities Grants	NOV 12	22.11.12	12.12.12	24.12.12	04.01.13	JAN	GREEN	0	0	2	2	2
Council Tax & NNDR	DEC 12	17.12.12	16.01.13	18.01.13	21.01.13	JAN	GREEN	0	0	0	0	0
Domestic Violence	JUL 12	10.08.12	12.09.12	23.01.13	23.01.13	JAN	GREEN	0	1	0	1	1
<i>Housing Benefits</i>	<i>DEC 12</i>	<i>21.12.12</i>	<i>12.02.13</i>	<i>05.04.13</i>	<i>12.04.13</i>	<i>APR</i>	<i>GREEN</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>1</i>	<i>1</i>
<i>Green Waste</i>	<i>DEC 12</i>	<i>21.12.12</i>	<i>25.01.13</i>	<i>29.01.13</i>	<i>29.01.13</i>	<i>APR</i>	<i>GREEN</i>	<i>0</i>	<i>0</i>	<i>2</i>	<i>2</i>	<i>0</i>
<i>Creditors</i>	<i>JAN 13</i>	<i>18.01.13</i>	<i>01.03.13</i>	<i>05.04.13</i>	<i>15.04.13</i>	<i>APR</i>	<i>GREEN</i>	<i>0</i>	<i>0</i>	<i>6</i>	<i>6</i>	<i>5</i>
Governance	APR 13											
Partnerships	MAR 13	21.03.13	15.04.13			JUN						
Tendering	MAR 13											
Treasury Management	MAR 13											
<i>Main Accounting System</i>	<i>MAR 13</i>	<i>05.03.13</i>	<i>19.03.13</i>	<i>27.03.13</i>	<i>15.04.13</i>	<i>APR</i>	<i>AMBER / RED</i>	<i>0</i>	<i>3</i>	<i>5</i>	<i>8</i>	<i>6</i>
Debtors	MAR 13											
Payroll	MAR 13	16.03.13	15.04.13									
Insurance	APR 13											
Risk Management	APR 13											
<i>Virtual Server</i>	<i>MAR 13</i>	<i>08.03.13</i>	<i>11.03.13</i>	<i>10.04.13</i>	<i>11.04.13</i>	<i>APR</i>	<i>ADVISORY</i>	<i>N/A</i>			<i>10</i>	<i>9</i>

Auditable Area	Start Date	Debrief date	Draft report issued	Responses received	Final report issued	CGG Committee	Assurance level given	Number of Recommendations Made				
								High	Medium	Low	In Total	Agreed
Mobile Device Security	<i>MAR 13</i>	<i>15.03.13</i>	<i>27.03.13</i>	<i>10.04.13</i>	<i>11.04.13</i>	<i>APR</i>	<i>ADVISORY</i>	<i>N/A</i>			<i>7</i>	<i>7</i>
Development Control	APR 13											

APPENDIX B: ACTION PLANS FOR KEY RECOMMENDATIONS

HOUSING BENEFITS

Ref	Recommendation	Categorisation	Accepted Y/N	Management Comment	Implementation Date	Manager Responsible
1	<p>All staff identified should complete a declaration of interests form.</p> <p>A check should be introduced whereby new staff complete their declarations of interest and this then informs the set up process for access to the Capita system. Any restrictions to the user set up can then be applied.</p>	Medium	<p>Y</p> <p>Y</p>	<p>Agreed. The five staff in Revenues Administration and four new Customer Services staff that did not have a completed declaration on file when the audit was conducted will complete a declaration of interest form.</p> <p>Agreed. A revised procedure is now in place</p>	<p>18 February 2013.</p> <p>14 February 2013</p>	<p>Rob Cottee, Performance & Quality Manager</p>

MAIN ACCOUNTING SYSTEM

Ref	Recommendation	Categorisation	Accepted Y/N	Management Comment	Implementation Date	Manager Responsible
5	<p>Raised and not agreed to in previous audit:</p> <p>Management should investigate the possibility of electronic authorisation process from the eFinancials system for the journal postings. If this is not possible, a manual process should be introduced to ensure independent review is performed prior to journals being posted.</p> <p>If a manual authorisation process is introduced, a standardised journal authorisation form should be developed.</p> <p>Journals should be sequentially numbered, signed by the person who requested the journal, with detailed narrative. The journal should then be independently reviewed and the reviewer should also sign and date for a complete audit trail purpose.</p>	Medium	N	This issue will be reconsidered following the E-Fin upgrade that will be implemented during the autumn of 2013.	N/A	N/A
7	<p>Once 'normal' operations of the finance system are established, a structured month end timetable / checklist should be introduced to ensure all activities are completed each month and the period end is appropriately closed down in a timely manner.</p> <p>This can then be used as an audit trail for the period end, providing evidencing who did what and when, thus ensuring that tasks have been completed in order and in a timely manner each month.</p>	Medium	Y	A timetable will be produced which will detail the period end close down dates, the reconciliations that need to be completed and the date they should be completed by and details of who is responsible for each reconciliation.	31/03/14	GA(CR)

Ref	Recommendation	Categorisation	Accepted Y/N	Management Comment	Implementation Date	Manager Responsible
8	<p>The Council should ensure that all control account reconciliations up to the end of March 2013 are completed and reviewed in line with the proposed timetable (by the end of May 2013).</p> <p>During 2013/14 control account reconciliations should be completed and reviewed each month.</p> <p>A schedule should be prepared for each reconciliation activity with supporting documentation, including system generated reports.</p> <p>The officer who prepares the reconciliation should sign and date the schedule and this should be reviewed independently. The reviewer should sign and date the schedule for a complete audit trail.</p> <p>All discrepancies should be investigated and rectified during the reconciliation process and evidence is retained of this.</p>	Medium	Y	This recommendation reflects work which is already in progress and scheduled to bring reconciliation work up to date.	On-going	GA(CR)

Recommendation Categorisation

Our findings and recommendations are categorised as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	

Opinions

The definitions for the level of assurance that can be given are:

Opinion	Description	Opinion	Description
RED	Taking account of the issues identified, the Board cannot take assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.	AMBER / GREEN	Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.
AMBER / RED	Taking account of the issues identified, whilst the Board can take some assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.	GREEN	Taking account of the issues identified, the Board can take substantial assurance that the controls upon which the organisation relies to manage this risk/area are suitably designed, consistently applied and effective.

Report of the Executive Manager - Finance and Commercial

Summary

1. The internal audit strategy for the three years 2010 - 2013 was approved by this Group at the meeting on 26 May 2010. It was based on discussions with officers and the Chairman of Corporate Governance Group.
2. On an annual basis members of the Internal Audit team examine the underlying risks facing the council and update this strategy and the resultant audit plan with senior officers.
3. The detailed audit strategy and audit plan is appended to this report.
4. As part of the audit strategy the Council's Internal Auditors have outlined four questions to assist Members in their consideration of the audit plan. These are:
 - Does the Updated Strategy for Internal Audit cover the organisation's key risks as they are recognised by the Corporate Governance Group?
 - Does the audit strategy include all those areas that the Corporate Governance Group would expect to be subject to internal audit coverage, both in terms of our professional responsibilities as well as covering areas of concern flagged by management?
 - Is the level of audit resource accepted by the Corporate Governance Group and agreed as appropriate, given the level of assurance required?
 - Does the detailed internal audit plan for the coming financial year (see Appendix B) reflect the areas that the Audit Committee believes should be covered as a priority?
5. A member of the internal audit team will attend the meeting to present the report and be available to answer questions.

Recommendation

It is RECOMMENDED that Members approve the updated Internal Audit Strategy and detailed Audit Plan 2013/14.

Financial Comments

The cost of the internal audit service is contained within existing budgets.

Section 17 Crime and Disorder Act

The activities of internal audit are part of the mechanism for combating and preventing fraud within the Council.

Diversity

There are no diversity issues.

Background Papers Available for Inspection: Nil



Rushcliffe Borough Council

Internal Audit Strategy
2013/2014 – 2015/2016

Presented at the Corporate Governance Group meeting of: 24 April 2013

Chris Williams
Head of Internal Audit

1 INTRODUCTION

This document sets out the approach we have taken to develop your internal audit strategy for 2013/14 to 2015/16 and the annual plan for 2013/14.

1.1 Role of Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

(Definition of Internal Audit: Chartered Institute of Internal Auditors)

From 1 April 2013, internal auditors in the public sector are required to work to the *Public Sector Internal Audit Standards (PSIAS)*, which are based on the *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors and which also adopt the institute's definition of internal auditing and code of ethics.

In line with these requirements, we perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that the organisation has in place, focusing in particular on how these arrangements help Rushcliffe Borough Council to achieve its objectives. The opinion may also be used by the S151 Officer, to support their Annual Governance Statement. This is achieved through a risk-based plan of work, agreed with management and approved by the Corporate Governance Group.

2 DEVELOPING THE INTERNAL AUDIT STRATEGY

2.1 Issues influencing Internal Audit coverage

In preparing your strategy and more detailed operational plan we have met with:

- Executive Manager – Operations & Corporate Governance;
- Executive Manager – Finance & Commercial;
- Executive Manager – Neighbourhoods;
- Executive Manager – Communities; and
- Executive Manager – Transformation.

The key areas are summarised below:

Key Areas discussed with Management and their impact on the 2013/2014 plan

1. **Governance** – our focus this year will be that the expenses policy and procedures are being complied with for both staff and members.
2. **Transformation** – the Council are due to report on the effectiveness of previous schemes in terms of service redesign and whether savings have been achieved. We will provide challenge and assurance on the content of the report.
3. **Commercial property portfolio** – with the ever increasing property portfolio, we will ensure appropriate controls are in place over tenancies, income and maintenance.
4. Two reviews have been brought forward from last year on **Temporary Accommodation and Community Facilities**.

The strategy is set out in Appendix A, with the more detailed annual plan for 2013/14 set out at Appendix B.

As well as assignments designed to provide assurance or advisory input around specific risks, the strategy includes:

- a contingency allocation, for example, for unplanned and ad-hoc work which will be subject to reporting through to the Corporate Governance Group as part of the progress report;
- a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to recommendations agreed by management during the prior and current financial year and will serve to inform the adequacy of the organisation's own recommendation tracking process; and
- an audit management allocation, used at Partner and Manager level for quality control, client and External Audit liaison and for preparation for and attendance at Corporate Governance Group.

2.2 Working with other assurance providers

We intend to share our audit plan with the External Auditors to confirm the coverage of our work in the areas of financial control to ensure they can continue to place their planned level of reliance on our work for 2013/2014.

The Corporate Governance Group are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not, seek to cover all risks and processes at the Council. We will however seek to work closely with other assurance providers, such as External Audit to ensure that duplication is minimised and a suitable breadth of assurance obtained.

3 INTERNAL AUDIT RESOURCES

3.1 Your Internal Audit Team

Your internal audit team is led by Chris Williams as Head of Internal Audit.

Your Client Manager is Mike Riley.

We are not aware of any relationships that may affect the independence and objectivity of the team, and which are required to be disclosed under auditing standards.

3.2 Internal Audit Fees

The fee for your internal audit service is based on our tender price of £255 per day, therefore including the days b/f the total fee for 2013/14 is £62,220.

4 CONSIDERATIONS FOR THE CORPORATE GOVERNANCE GROUP

- Does the Strategy for Internal Audit (as set out at Appendix A) cover the organisation's key risks as they are recognised by the Corporate Governance Group?
- Does the detailed internal audit plan for the coming financial year (as set out at Appendix B) reflect the areas that the Corporate Governance Group believes should be covered as priority?
- Is the Committee satisfied that sufficient assurances are being received by the Council to monitor the organisation's risk profile effectively, including any emerging issues / key risks not included in our annual plan?

APPENDIX A: STRATEGY FOR INTERNAL AUDIT 2013/14 – 2015/16

Risk Based Assurance

Auditable Areas	Risks	2013/14	2014/15	2015/16
Governance	Failure to maintain appropriate governance systems for providing Council services.	✓	✓	✓
Risk Management	Failure to maintain appropriate risk management processes which are integral with achievement of strategy and performance.	✓	✓	✓
Community Support Grants	Failure to administer and control the annual community support grants for members (£1000 per member, per year).	✓		
Transformation	Failure to achieve the Council's four year plan in terms of efficiency savings and transformation of service delivery.	✓	✓	✓
Commercial Property Portfolio	Failure to appropriately manage the Council's increasing property portfolio in terms of tenancies, income and maintenance.	✓		✓
Strategic Housing Capital	Failure to control and administer the capital budget allocation for strategic housing.	✓		
Home Alarm Scheme	Failure to provide an efficient and effective home alarm scheme for the community.	✓		
Markets	Failure to control and administer the markets services in terms of allocations, compliance with policy and income collection.	✓		
Other Risk Based / emerging issue	Many of the above audits have been identified through management concerns, or topical sector issues, therefore for years 2014/15 onwards an allocation has been put in to cover such areas. These will be identified in each audit plan update.	✓	✓	✓

Financial Controls (including work allowing greater external audit reliance on our work)

Systems	Source of Requirement	2013/14	2014/15	2015/16
Treasury Management, Cash & Banking	External audit will place reliance on our work to inform their audit.	✓	✓	✓
Main Accounting System & Budgetary Control		✓	✓	✓
Income & Debtors		✓	✓	✓
Ordering & Creditors		✓	✓	✓
Payroll		✓	✓	✓
Housing Benefits		✓	✓	✓
Council Tax		✓	✓	✓
NNDR		✓	✓	✓
Capital Programmes & Assets		✓		✓

Other Internal Audit Activity

Activity	Rationale	2013/14	2014/15	2015/16
Licensing	A cyclical review of the licensing enforcement services that the Council operates.		✓	
Member Services	A cyclical review of the member services function.			✓
Human Resources	A cyclical review of the Human Resources function.		✓	
Neighbourhood Services	A cyclical review of the Neighbourhood services.			✓
Partnerships	Any new or existing partnership arrangements will be reviewed to ensure continued monitoring of performance occurs.		✓	
Building Control	A cyclical assurance review on the Council's building control services.		✓	
Development Control	A cyclical continued assurance review on the Council's development control, internal control framework.			✓
Disabled Facilities Grants	A cyclical review of the control framework around the administration and awarding of disabled facilities grants.		✓	
Tendering	A cyclical review of the compliance over the contracts and tendering undertaken by the Council.	✓		✓

Activity	Rationale	2013/14	2014/15	2015/16
Temporary Accommodation	Review B/F from previous year.	✓		
Community Facilities	Review B/F from previous year.	✓		
Information Systems Assurance	Annual assurance over the Council's IM& T infrastructure and operations.	✓	✓	✓
Follow Up	To meet internal auditing standards and to provide management with on-going assurance regarding implementation of recommendations.	✓	✓	✓
Contingency	To allow for additional audits to be undertaken at the request of management based on changes in assurance needs as they may arise during the year.	✓	✓	✓
Audit Management	This will include: <ul style="list-style-type: none"> ▪ Annual planning; ▪ Preparation for, and attendance at, CGG meetings; ▪ Regular liaison and progress updates; ▪ Liaison with external audit; and ▪ Preparation of the annual internal audit opinion. 	✓	✓	✓

APPENDIX B: INTERNAL AUDIT PLAN 2013/2014

Audit	Internal Audit Coverage	Internal Audit Approach	Lead Executive Manager	Proposed Timing
Assurance and Advisory Work to Address Specific Risks				
Governance – compliance with expenses policy	The focus of our governance work will be on compliance with Council’s expenses policy and procedures ensuring that all claims are appropriate and substantiated for staff and members.	Assurance	Dan Swaine	Q2
Risk Management	Our work will review the revised risk management framework, with specific emphasis on how its linked to strategy and performance and not undertaken as a stand alone process.	Assurance		Q3
Community Support Grants	This will review the controls in place to administer the annual grants allowed (£1000 per member per year) and ensure they are awarded and spent appropriately.	Assurance		Q3/Q4
Transformation	A report is due to members in May 2013 assessing whether the transformation schemes to date have delivered as planned. Our review will give challenge and assurance over the content of the report.	Assurance	Kath Marriott	Q1
Commercial Property Portfolio	With the Council’s increased property portfolio, we will provide assurance that there is an appropriate control framework in place over the tenancy arrangements, rental income and maintenance.	Assurance		Q2
Strategic Housing Capital	We will provide assurance that the capital expenditure for strategic housing is controlled adequately in terms of awarding of monies to contractors, selection and vetting of contractors and approvals.	Assurance	Dave Banks	Q3/Q4
Home Alarm Scheme	We will give assurance over the housing alarm scheme, ensuring that an efficient and effective service is being provided to the community.	Assurance		Q1/Q2
Temporary Accommodation	B/f from previous year. To give assurance over the Council’s temporary accommodation schemes.	Assurance		Q3/Q4
Markets	A systematic review over the Council’s markets, ensuring there is a robust process in place across all aspects of the markets from allocations, applications, insurance, rentals and compliance.	Assurance	Dave Mitchell	Q1
Community Facilities	B/f from previous year. This review will focus on the bookings process for community facilities and how accessible this is for the public.	Assurance		Q3

Financial Controls				
Tendering	To review the Councils tendering process ensuring they are robust in terms of identifying, seeking, awarding of contracts that are in accordance with the Council's financial regulations.	Assurance	Peter Steed	Q4
Treasury Management, Cash & Banking	The review will cover: <ul style="list-style-type: none"> ▪ Segregation of duties; ▪ Bank reconciliations; ▪ Receipting; ▪ Investment approvals; ▪ Cashflow statements. 	Assurance		Q4
Main Accounting System & Budgetary Control	The review will cover: <ul style="list-style-type: none"> ▪ Access Controls; ▪ Journals; ▪ Month end closedown and reconciliation process; ▪ Budget setting, monitoring and approval. 	Assurance		Q3
Income & Debtors	To focus on debtor invoice raising, income collection, debt chasing and write offs.	Assurance		Q3
Ordering & Creditors	The review will cover: <ul style="list-style-type: none"> ▪ Raising of orders, goods received and authorisation; ▪ Credit note authorisation; ▪ Supplier account set up/changes; ▪ Approval of expenditure; ▪ Control accounts. 	Assurance		Q3
Payroll	The review will cover: <ul style="list-style-type: none"> ▪ Starters, changes & leavers; ▪ Accuracy of payroll; ▪ Deductions; ▪ Control accounts; ▪ Exception / management reporting. 	Assurance		Q4
Housing Benefits	The review will cover: <ul style="list-style-type: none"> ▪ New changes around the benefits process; ▪ Policies / procedures; ▪ Eligibility checks; ▪ Payment controls; ▪ Changes in circumstances. 	Assurance		Q3
Council Tax	The review will cover: <ul style="list-style-type: none"> ▪ CT reduction scheme; ▪ Policies/ procedures; ▪ New properties; ▪ Property register; ▪ Exemptions/discounts; ▪ Segregation of duties; ▪ Refunds/ over payments. 	Assurance		Q3

NNDR	The review will cover: <ul style="list-style-type: none"> ▪ Policies/ procedures; ▪ New properties; ▪ Property register; ▪ Exemptions/discounts; ▪ Segregation of duties; ▪ Refunds/ over payments. 	Assurance		Q3
Capital Programmes & Assets	A focus on the capital programme, ensuring approval is obtained, that suppliers are procured appropriately and that projects are monitored and reported. That all assets are recorded in the register, depreciation is applied correctly, and additions / deletions are tracked.	Assurance		Q3
Other Internal Audit Coverage				
Information Systems Assurance	<ul style="list-style-type: none"> ▪ A general allocation for Information Systems Assurance work around the Council's IT infrastructure, security and compliance. ▪ Some of this allocation has already been identified to review the IT projects, assessing how capital is allocated, approved and then project managed, 	Advisory / Assurance	Dan Swaine	Q3/Q4
Contingency	For coverage of risks and changes in assurance needs as these arise during the year. To be agreed with management and reported through to CGG.	As required	As required	As used
Follow Up	To meet internal auditing standards and to provide management with ongoing assurance regarding implementation of recommendations.	Follow up review	Ongoing	Ongoing
Management	This will include: <ul style="list-style-type: none"> ▪ Annual planning; ▪ Preparation for and attendance at, CGG meetings; ▪ Regular liaison and progress updates; ▪ Liaison with external audit; and ▪ Preparation of the annual internal audit opinion. 	N/A	Ongoing	As used
Total		244*	(*inc 16 days b/f)	

Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regard to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

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Report of the Executive Manager - Operations and Corporate Governance

Background

1. The Risk Management Strategy sets out the Council's process for managing risk. It states that the Corporate Governance Group's responsibility is "to oversee and scrutinise the effective management of risk by officers."
2. The Executive Management Team operates as the Council's Risk Management Group overseeing the management of risk across the organisation. Corporate risk management issues are considered on a quarterly basis with operational risks being reviewed each week alongside financial information as part of individual service performance clinics.
3. As previously reported the Council's corporate risk register was fully reviewed during the second half of 2012. Over the forthcoming months similar reviews of operational risks will be undertaken by the new Executive Managers including a review of the Council's Risk Strategy.

Recommendation

It is RECOMMENDED that the Corporate Governance Group is asked to note the contents of this report and provide feedback to the Executive Manager - Operations and Corporate Governance as appropriate.

Risk Management

4. As reported at the 20 January meeting, responsibility for risk management, emergency planning and business continuity has passed to the Executive Manager - Operations and Corporate Governance. Following the senior management review these areas are under revision to realign them with the new structure. This process is underway and ties in with the annual review of performance management and the production of service plans for the 2013/14 period. Greater focus is being given to the relationship between risk, performance and tasks to enable all aspects to be linked within the operational management of each service.
5. The current corporate risk register has 21 risks, with an additional 52 operational risks monitored at service level. The current review aims to remove risks that are low scoring, those that have the lowest likelihood or impact, risks that have effective mitigation that ensure that the risk factors are under control. Examples of risks that may be removed following the review process are:

CRR EWM01 Loss of key assets – vehicles

The likelihood of this risk becoming effective is scored 1 (lowest probability) and there is no expectation that this score will change in the future. In the event of vehicle loss, it may be possible to loan one from a neighbouring authority or hire a vehicle which are readily available.

OR EWM09 Employing drivers with a criminal conviction, no licence or MOT

The likelihood for this risk is scored as 1, and as a result of effective checks made before a driver is employed it is very unlikely that a situation would arise when the rigorous controls for the risk would be ineffective.

OR CS11 Lack of response to customer complaint

Customer complaints are entered onto Covalent (the Council's performance management software with a dedicated module for monitoring all feedback), and the likelihood for this risk has been scored 1. The monitoring of new and existing complaints ensures that deadlines dates are monitored and responses are entered onto Covalent and cases are closed when complete.

6. This review may also identify new risks that have arisen following the service restructure and these will be added to the register. It is anticipated that few new risks are likely to be identified and that overall there will be a net reduction in the number of risks within the revised risk register.

Emergency Planning Update

Emergency plan

7. The emergency plan has been reviewed to reflect the authority's new organisational structure. The plan will continue to be updated on a biannual basis.

Renewal of service level agreement

8. Newark & Sherwood District Council provide senior representation at Local Resilience Forum (LRF) meetings on behalf of other borough / district councils within Nottinghamshire as part of a service level agreement. This arrangement has been renewed for the period 2013/14.
9. The emergency planning service level agreement with Nottinghamshire County Council for the period 2013/14 will be confirmed in May.

Rest centre exercise

10. A multi-agency rest centre tabletop exercise was due to take place at Rushcliffe Arena on 28 November but this event had to be postponed due to the widespread flooding throughout that month. A new date for the exercise is currently being arranged by Nottinghamshire County Council.
11. The aim of this exercise is to test the arrangements within Nottinghamshire County Council's emergency accommodation plan and ensure employees from all organisations are familiar with their roles. As this is not a live exercise, Rushcliffe Arena will remain open to the public on the day.

12. Training for leisure centre staff took place on 7 November and 21 November. Additional sessions will be organised for any employees who were unable to attend these events.

Flooding

13. The authority's response to flooding has generally been very effective and updates have been provided to members via recent member's briefing notes. Nevertheless, the Risk Management Group has sought to identify improvements that can be made following these incidents. Examples include:
- Measures for sharing incident-related information more easily across service areas
 - Encouraging communities to use local resources and knowledge to help themselves in a way that complements the emergency services and local authorities
 - Ensuring that costs associated with flooding are submitted to the Department for Communities & Local Government (DCLG) for possible reimbursement under the Bellwin Scheme.
14. Progress on this work will be reviewed at future Risk Management Group meetings.

Business continuity update

Business continuity plan

15. The corporate business continuity plan has also been updated to show Rushcliffe Borough Council's new organisational structure.
16. Business continuity management aims to ensure that critical services can continue to be delivered during an incident (e.g. loss of premises, utility supply or technical systems). A summary of the authority's critical functions are included within the Business Impact Analyses (BIAs) of each service area. The emergency planning officer will be working with lead specialists over the coming months to ensure these BIAs are reviewed.

Financial Comments

The Risk Management Group ensures that the financial risks of the Council are managed. The SLA with Nottinghamshire County Council to provide an Emergency Planning Service will be renewed for 2013-14 to ensure satisfactory provision is in place.

Section 17 Crime and Disorder Act

The risk management group ensure that the section 17 implications are contained within the risk register.

Diversity

The risk management group ensure that the diversity implications are contained within the risk register.

Background Papers Available for Inspection: Nil

Report of the Executive Manager - Operations and Corporate Governance

This report sets out a proposed work programme for the next year. In determining the proposed work programme due regard has been given to matters usually reported to the Group and the timing of issues to ensure best fit within the Council's decision making process.

Recommendation

It is RECOMMENDED that the Group agrees the work programme as set out in the table below.

Date of Meeting	Item
24 April 2013	<ul style="list-style-type: none"> • Internal Audit Progress 2012/13 • Internal Audit Strategy 2013/14 • Certification of Grants and Returns • External Audit Plan 2012/13 • Risk Management Update • Finance Update • Work Programme
8 May 2013	Meeting cancelled
6 June 2013	<ul style="list-style-type: none"> • Internal Audit Progress Report 2013/14 • Internal Audit Annual Report 2012/13 • Revenue & Capital Budget Monitoring • Fraud & Irregularities 2012/13 • Annual Governance Statement 2012/13 • Corporate Governance Annual Report 2012/13 • Health and Safety Annual Report • Work Programme
19 September 2013	<ul style="list-style-type: none"> • Internal Audit Progress Report 2013/14 • Statement of Accounts 2012/13 • External Auditors Annual Governance Report 2012/13 • Revenue & Capital Budget Monitoring • Treasury Management Update • Work Programme

Date of Meeting	Item
7 November 2013	<ul style="list-style-type: none"> • Internal Audit Progress Report 2013/14 • Annual Audit Letter • Revenue & Capital Budget Monitoring • Health and Safety Interim report • Risk Management Update • Work Programme
6 February 2014	<ul style="list-style-type: none"> • Internal Audit Progress Report 2013/14 • Treasury Management Update and Presentation • Risk Management Update • Revenue & Capital Budget Monitoring • Work Programme

The above table does not take into account any items that need to be considered by the Group as special items. These may occur, for example, through changes required to the Constitution or financial regulations, which have an impact on the internal controls of the Council.

Financial Comments

No direct financial implications arise from the proposed work programme.

Section 17 Crime and Disorder Act

In the delivery of its work programme the Group supports delivery of the Council's Section 17 responsibilities particularly in relation to audit, fraud and irregularities.

Diversity

The policy development role of the Group ensures that its proposed work programme supports delivery of the Council's Corporate Priorities.

Background Papers Available for Inspection: Nil