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Our reference:
Your reference:
Date: 11 April 2014

To all Members of the Corporate Governance Group

Dear Councillor

A meeting of the CORPORATE GOVERNANCE GROUP will be held on Wednesday 23 April 2014 at 7.00 pm in the Council Chamber, 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 Thursday 6 February 2014 (pages 1 - 8).
4. Local Government Act 1972

It is RECOMMENDED that the public be excluded from the meeting for consideration of the following item of business pursuant to section 100A (4) of the above Act on the grounds that it is likely that exempt information may be disclosed as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

5. Potential Options for the Future Use of the Civic Centre

The report of the Chief Executive is attached (pages 9 - 11).

6. External Audit Plan 2013/14

The report of the Executive Manager – Finance and Commercial is attached (pages 12 - 36).

7. Certification of Grants and Returns – Annual Report 2012/13

The report of the Executive Manager – Finance and Commercial is attached (pages 37 - 44).

8. Internal Audit Progress Report 2013/14

The report of the Executive Manager – Finance and Commercial is attached (pages 45 - 51).

9. Internal Audit Strategy 2014/15 – 2016/17

The report of the Executive Manager – Finance and Commercial is attached (pages 52 - 66).

10. Work Programme

The report of the Executive Manager – Operations and Corporate Governance is attached (pages 67 - 68).

Membership

Chairman: Councillor G S Moore

Vice-Chairman: E A Plant

Councillors: N A Brown, J E Cottee, A M Dickinson, R Hetherington, K A Khan, J E Thurman 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
THURSDAY 6 FEBRUARY 2014

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

PRESENT:

Councillors G S Moore (Chairman), N A Brown, R Hetherington, K A Khan, E A Plant, P Smith (Substitute for A M Dickinson), J A Stockwood (Substitute for J E Cottee), J E Thurman and H Tipton

OFFICERS PRESENT:

A Goodman	Member Support Officer
P Linfield	Service Manager - Finance and Commercial
P Steed	Executive Manager - Finance and Commercial
E Shaw	Emergency Planning Officer

APOLOGIES FOR ABSENCE:

Councillors J E Cottee and A M Dickinson

Prior to the start of the meeting, the Chairman informed the Group that the order of agenda had been amended and that Item 5 - Risk Management Review Update would now be the first item to be considered.

30. Declarations of Interest

There were none declared.

31. Notes of the Previous Meeting

The notes of the meeting held on Thursday 7 November 2013 were accepted as a true record.

The Chairman reported that, as requested by the Group, training on Treasury Management had been held on 27 January 2014, by Phiroza Katrak from Arlingclose Limited. The session was attended by 28 Councillors and had been well received. The training would prove beneficial for all Members when considering Treasury Management items, both at Corporate Governance Group and Council.

32. Risk Management Review Update

The Executive Manager - Finance and Commercial informed Members that the Executive Manager - Operations and Corporate Governance had reviewed the Council's risk management arrangements to ensure they were aligned to the revised management structure and to address issues identified by the Annual Internal Audit of risk management arrangements, which had been allocated an

amber/red opinion. It had been intended to report the findings of the review to the meeting of the Group on 7 November 2013, however due to the volume of items on the Agenda the item was deferred until this meeting.

The Executive Manager - Finance and Commercial reported that as part of this review the Council's Risk Management Strategy had been revised and subsequently considered by the Executive Management Team in September 2013. The Strategy specified that the Corporate Governance Group had responsibility "to regularly oversee and scrutinise the effective management of risk by officers". The Executive Management Team operated as the Council's Risk Management Group and had responsibility for overseeing the management of risk across the organisation. As part of this role, they reviewed the risk register on a quarterly basis to ensure it remained accurate and relevant. In addition operational and strategic risks were reviewed each week as part of each service area's individual performance clinic.

At its meeting on 10 September 2013, the Risk Management Group considered the actions taken in response to the recommendations arising from the Internal Audit of risk arrangements. On 14 January 2014 the Group met in order to oversee the management of risk across the organisation and review, where necessary, the operational and strategic risks.

The Executive Manager - Finance and Commercial explained that as part of the review, the risk register had been revised to ensure that all corporate and operational risks were relevant and that control measures to mitigate these risks were accurate and up to date. The risks that had the lowest likelihood or impact, or had effective mitigation were removed from the register and new items were added to the list due to the changing nature of the Council's business and its priorities. Consequently, as a result of the exercise, 5 corporate risks were removed from the register and 3 new items were added, reducing the overall total from 21 to 19. The operational risks were also decreased from 52 to 21, ensuring a more relevant, accurate and appropriate register. The review also highlighted the need to evaluate and regularly review the internal controls identified to mitigate and minimise risks.

In relation to the addition of corporate risk CRR-FC07 - revaluation of major business rates, the Executive Manager - Finance and Commercial explained that recent experience had highlighted that the likelihood of an appeal was high and could have a high impact on business rates income.

Failure to manage Legionella remained a relatively high risk, as although there were adequate mitigation controls were in place, the council remained cautious due to previous occurrences.

Members requested that the next Risk Management Update be provided to the September meeting and that they received further updates on a six monthly basis.

The Executive Manager - Finance and Commercial gave an update to Members on the work undertaken in respect of Emergency Planning, since the last report to the Group. He informed Members that work had been undertaken on the development of guidance to encourage parish and town councils to consider a variety of community resilience schemes. These included acquiring

a resilience store containing flood protection equipment, developing a community emergency plan and joining the Environment Agency's flood warden scheme. Emergency Planning was also the focus of the Parish Forum held on 30 October 2014.

Residents that had made frequent requests for sandbags would be encouraged to purchase their own flood protection equipment where possible. It was hoped this would assist them in the management of flooding and how best to protect themselves and their property. Additionally, information on flooding, including a list of frequently asked questions, had been published on the council's website. The training needs of all managers and staff within the emergency plan had been assessed to ensure they had the relevant skills and technical knowledge in the case of an emergency.

The Executive Manager - Finance and Commercial informed the Group that personnel from Rushcliffe Borough Council had been placed on standby to assist the response to the storms and east coast tidal surge that affected the Country on 5 December. However, the east coast flooding was less severe than had been feared and Lincolnshire County Council was able to provide sufficient local accommodation to care for approximately 900 evacuees. Although severe weather had caused flooding and loss of electricity supplies in many parts of the Country over the Christmas period, no significant disruption had occurred in Nottinghamshire. However, preparations had been made and officers were on standby to respond to any incidents that could have arisen.

In response to questions, the Emergency Planning Officer confirmed that flood warnings were issued by the Environment Agency. These were forwarded to relevant personnel at the Council by Nottinghamshire County Council's Emergency Planning team. Nottinghamshire County Council were a Lead Local Flood Authority (LLFA) under the Flood and Water Management Act 2010 and had powers and duties for managing flooding from local sources. The County Council's flood Risk Management team worked with the Environment Agency, Internal Drainage Boards (IDBs) and other local authorities to manage flood risk. Riparian owners still retained responsibility for maintaining the stretch of watercourse on their land.

It was AGREED that the Group;

- a) note the contents of the report;
- b) endorse the actions taken to review the risk management arrangements, and
- c) request updates on a six monthly basis from September 2014 and amend the work programme to reflect this.

33. Internal Audit Progress Report 2013/14

The Executive Manager - Finance and Commercial informed Members that in line with the internal audit plan, six reports had been finalised since the last meeting of the Group, for the areas of Governance – Compliance with Expenses Policy, Strategic Housing Capital, Community Facilities, Community Support Grants, Purchasing Ordering & Creditors and Income & Debtors.

He informed Members that the assurance level for Governance – Compliance with Expenses Policy, Strategic Housing Capital, Community Support Grants and Income & Debtors audits was green, the highest achievable. The audits of Community Facilities and Purchasing Ordering & Creditors had been given an assurance of amber/green. There was only one high risk recommendation from the six audits for the area of Purchasing Ordering & Creditors. There were currently three audits at the work in progress stage for the areas of NNDR, Council Tax and Capital Programme & Assets which would be presented to the next meeting of the Group in April 2014.

The Executive Manager - Finance and Commercial confirmed that the internal audit plan was on schedule and that all audits would be completed by the end of the financial year.

It was AGREED that the Internal Audit Progress Report 2013/14 be noted.

34. Treasury Management Strategy 2014/15 - 2018/19

The Group considered the report of the Executive Manager - Finance and Commercial that provided details of the Capital Prudential Indicators, and the Council's Treasury Management and Investment Strategy, for 2014/15 to 2018/19.

The Service Manager - Finance and Commercial reported that under the Local Government Act 2003, when carrying out capital and treasury management activities, the Council was required to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities. He explained that objectives of the Code were to ensure that capital investment plans were affordable, prudent and sustainable, and that treasury management decisions were taken in accordance with the Council's Treasury Management Strategy.

The Service Manager - Finance and Commercial outlined the main points of the Capital Prudential Indicators, as follows;

- The projected capital expenditure plans and funding
- The Council's Borrowing Need (the Capital Financing Requirement CFR);
- The Minimum Revenue Provision (MRP) Policy Statement, if the Council was to borrow how much it would charge the revenue account for the cost of borrowing;
- The on-going impact of the capital programme on the investment balance;
- The estimates, limits and prudence of future debt levels; and
- The affordability impact of the capital programme.

The Group considered the Treasury Management and Investment Strategy 2014/15 to 2018/19, which covered:

- Statutory and professional requirements;
- The current economic climate and prospects for interest rates;
- The Council's debt and investment projections;
- The Council's borrowing and investment strategies;
- Specific limits on treasury activities; and
- Any local treasury issues.

In conclusion, The Service Manager - Finance and Commercial informed the Group that the Capital Prudential Indicators and Treasury Management Strategy gave both a position statement and details of the future position of the Council's Capital and Treasury plans. The documents complied with best professional practice and were recommended to Council for approval as part of the Council's Medium Term Financial Strategy (MTFS).

In response to questions, Executive Manager - Finance and Commercial confirmed that, if approached, the Council would consider inter local authority or parish council investments. In respect of the current loans to Nottinghamshire County Cricket Club the Council had renegotiated its interest rate to not less than 3%.

Members felt that training specific to Capital Prudential Indicators and the Treasury Management Strategy would be beneficial in considering future reports.

It was AGREED that the Group recommend to Council for approval, as part of the Council's budget setting process:

- a) the Prudential Indicators and Limits for 2014/15 to 2018/19 contained within Appendix A of the report;
- b) the Minimum Revenue Provision (MRP) Statement (paragraph 9 of Appendix A, of the report) which sets out the Council's policy on MRP; and
- c) the Treasury Management Strategy 2014/15 to 2018/19 and the Treasury Indicators, contained within Appendix B of the report.

35. Revenue and Capital Budget Monitoring

The Group considered the report of the Executive Manager - Finance and Commercial that gave details and explanations of significant variances against the profiled budget to 31 December 2013.

The Revenue budget monitoring reports indicated an underspend against the profiled budget of £1,039,700, with a projected favourable variance of £990,810 for the year. Officers informed Members that the underspend reflected a number of positive variances which included additional income from fees for a number of major planning applications and savings from a reduction in staffing costs at the Depot and Corporate Management costs. However, it was noted that the variance would be reduced at year end as it was likely that accounting adjustments would be required in relation to delays in expenditure on the Local Plan and additional Development Control income that related to work that would not be undertaken or finalised until 2014/15.

The main adverse variance related to the cost additional staffing resource within Finance and Commercial and an increase in the overall cost of IT contracts which had previously been funded from the IT Reserve.

In respect of the Capital budget monitoring, the report indicated a net underspend of £8,297,000 to the end of December 2013, with a projected favourable variance of £3,736,000 for the year. The main projected underspends related to £584,000 from the Cotgrave Masterplan, £323,000 from the vehicle replacement programme, £301,000 underspend on the Streetwise franchise, £200,000 in relation to the Alford Road Pavilion redevelopment, £61,000 for lift repairs at the Civic Centre and £49,000 in relation to repayment of decent homes grants. The £2,000,000 underspend in relation to the Nottinghamshire County Cricket Club loan and £250,000 for the A453 contribution would be carried forward into 2014/15. Members were informed that the underspend for the Cotgrave Masterplan and the Civic centre lifts would also require carrying forward into next year.

In response to questions, the Executive Manager - Finance and Commercial confirmed that Nottinghamshire County Cricket Club had not yet requested the loan, therefore the sum would be carried forward into next year.

It was AGREED that the Group;

- a) note the current projections for revenue and capital, and
- b) recommend to Cabinet that the following Capital Programme carry forwards are approved:
 - i. NCCC Loan, £2,000,000
 - ii. A453 Contribution, £250,000
 - iii. Cotgrave Masterplan, £584,000
 - iv. Civic Centre Lift, £61,000

36. **Work Programme**

The Group considered the report of the Executive Manager – Operations and Corporate Governance that set out details of the proposed work programme for the municipal year 2013/14 and 2014/15

Following consideration of Agenda Item 5, the timings of the Risk Management Updates were rescheduled to the September and January meetings.

The Group AGREED the Work Programme as set out below:

Date of Meeting	Item
23 April 2014	<ul style="list-style-type: none"> • External Audit Plan 2013/14 • Certification of Grants and Returns – Annual Report 2012/13 • Internal Audit Progress Report 2013/14 • Internal Audit Strategy 2014/15 • Revenue and Capital Budget Monitoring • Work Programme
19 June 2014	<ul style="list-style-type: none"> • Internal Audit Progress Report 2014/15 • Internal Audit Annual Report 2013/14 • Health and Safety Annual Report • Annual Governance Statement 2013/14 • Corporate Governance Annual Report 2013/14 • Fraud & Irregularities 2013/14 • Revenue & Capital Budget Monitoring • Work Programme
4 September 2014	<ul style="list-style-type: none"> • Internal Audit Progress Report 2014/15 • Statement of Accounts 2013/14 • External Auditors Annual Governance Report 2013/14 • Risk Management Update • Treasury Management Update • Revenue & Capital Budget Monitoring • Work Programme
13 November 2014	<ul style="list-style-type: none"> • Internal Audit Progress Report 2014/15 • Health and Safety Interim report • Annual Audit Letter • Revenue & Capital Budget Monitoring • Work Programme
29 January 2014	<ul style="list-style-type: none"> • Internal Audit Progress Report 2014/15 • Treasury Management Update and Presentation • Risk Management Update • Revenue and Capital Budget Monitoring • Work Programme
26 March 2014	<ul style="list-style-type: none"> • External Audit Plan 2014/15 • Certification of Grants and Returns – Annual Report 2013/14 • Internal Audit Progress Report 2014/15 • Internal Audit Strategy 2015/16 • Revenue & Capital Budget Monitoring • Work Programme

The meeting closed at 8.20 pm.

Action Sheet
Corporate Governance Group - Thursday 6 February 2014

Minute Number	Actions	Officer Responsible
31 Notes of the Previous Meeting	None	
32 Risk Management Review Update	None	
33 Internal Audit Progress Report 2013/14	None	
34 Treasury Management Strategy 2014/15 - 2018/19	None	
35 Revenue and Capital Budget Monitoring	None	
36 Work Programme	None	



Corporate Governance Group

23 April 2014

External Audit Plan 2013/14

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Report of the Executive Manager – Finance and Commercial

Summary

1. The attached report from KPMG summarises their approach to external audit activity with regard to the final accounts process and their approach to value for money work in relation to the financial year 2013/14.
2. 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 2013/14 Statement of Accounts the dates for these two meetings are 4 and 25 September respectively.
3. The attached report details the approach that KPMG will use when auditing the 2013/14 Statement of Accounts. It specifies the work they will undertake, when they anticipate undertaking this work, and how they will liaise with Council staff. It also details two key risks with regards to the year-end accounts, which the Council are actively managing:
 - given the pension fund has undergone a triennial review, risks surrounding the accuracy of the estimate for pension liabilities; and
 - the impact of the new cash receipting system on the bank reconciliation process.
4. KPMG staff will be available to answer any detailed questions arising from the report.

Recommendation

It is RECOMMENDED that the report be accepted.

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 2013/14

Rushcliffe Borough Council

February 2014



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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.audit-commission.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 Neil Bellamy, 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, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 444 8330.

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

Scope of this report

This document supplements our *Audit Fee Letter 2013/14* presented to you in April 2013. 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 2013/14.

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* 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 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, including any key risks identified this year for the financial statements and Value for Money audit.
- Section 3 describes the approach we take for the audit of the financial statements.
- Section 4 provides further detail on the financial statements audit risks.
- Section 5 explains our approach to VFM work
- Section 6 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.

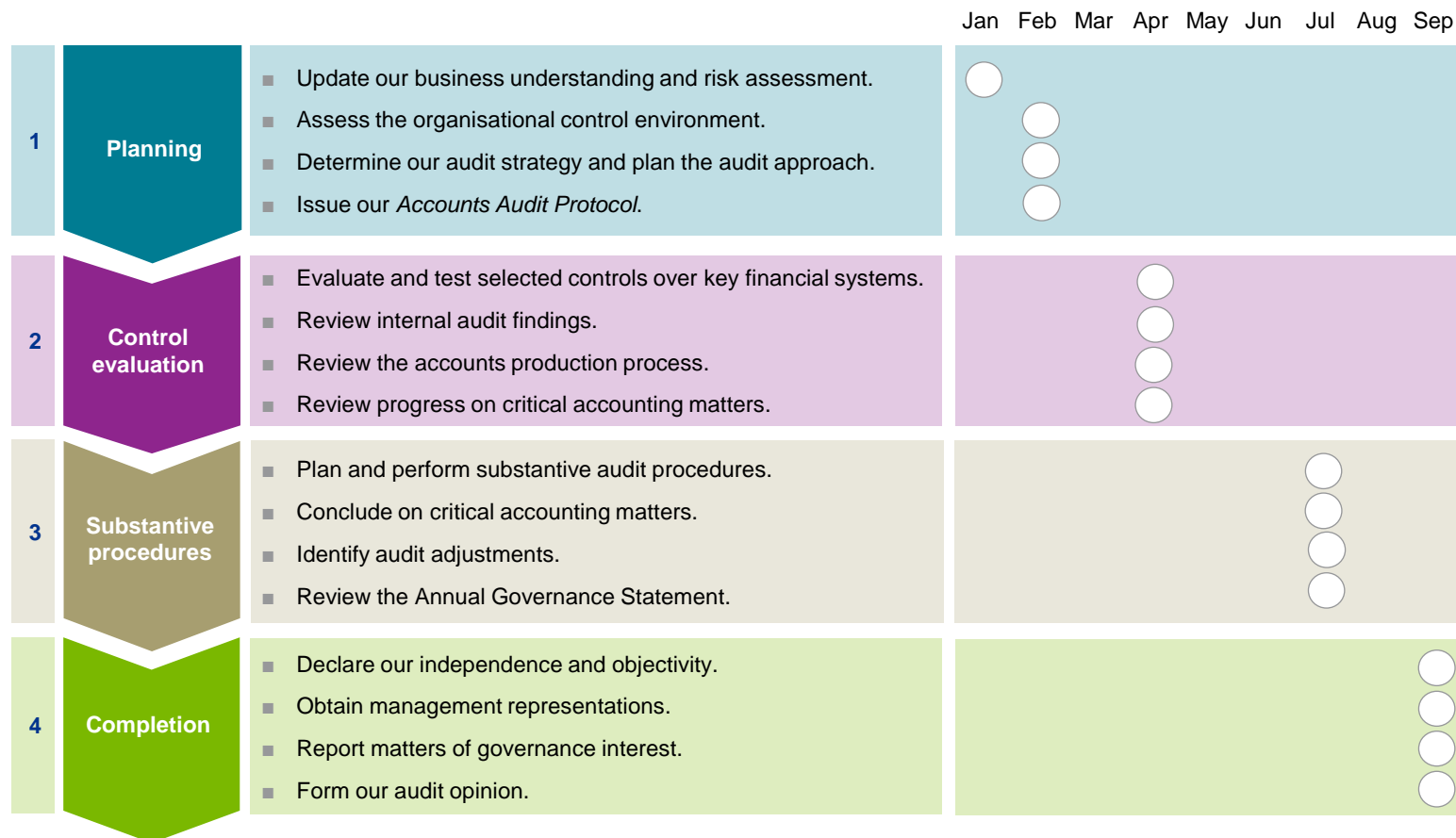
This table summarises the headline messages. The remainder of this report provides further details on each area.

Audit approach	<p>Our overall audit approach is unchanged from last year. Our work is carried out in four stages and the timings for these, and specifically our on site work, have been agreed with the Executive Manager - Finance and Commercial.</p> <p>Our audit strategy and plan remain flexible as risks and issues change throughout the year. We will review the initial assessments presented in this document throughout the year and should any new risks emerge we will evaluate these and respond accordingly.</p>
Key financial statements audit risks	<p>We have completed our initial risk assessment for the financial statements audit and have identified the following significant risks:</p> <ul style="list-style-type: none"> ■ During the year, the Local Government Pension Scheme (LGPS) has undergone a triennial valuation with an effective date of 31 March 2013. The IAS 19 numbers to be included in the financial statements of all admitted bodies for 2013/14 will be based on the output of the triennial valuation for the first time. The valuation is rolled forward to 31 March 2014, 31 March 2015 and 31 March 2016 for accounting purposes. As data provided to the actuaries for the triennial valuation (mostly by the pension fund) is more extensive than for the roll forward, it is likely that this year there is a risk around the accuracy of the estimate for pensions liabilities. ■ The Council has implemented a new cash receipting system in year. As with the implementation of any new material information system we will need to consider how the Council has implemented and tested the new system to provide itself with assurance that it is operating effectively. In this particular case we will also focus on the impact the new cash receipting system has had on the bank reconciliation process. <p>These are described in more detail on pages 9 to 11. We will assess the Authority's progress in addressing this risk areas as part of our interim work and conclude this work at year end.</p>
VFM audit approach	<p>We have completed our initial risk assessment for the VFM conclusion and have not identified any significant risks at this stage.</p>
Audit team, deliverables, timeline and fees	<p>We have refreshed our audit team this year with a new Engagement Lead, and Audit Manager. The in-charge remains unchanged from the previous year.</p> <p>Our main year end audit is currently planned to commence on 14th July 2014, prior to which we will issue an Accounts and Audit Protocol to set out in more detail the audit plan and working paper requirements. Upon conclusion of our work we will again present our findings to you in our <i>Report to Those Charged with Governance (ISA 260 Report)</i> and our Annual Audit Letter.</p> <p>The planned fee for the 2013/14 audit is £54,150. This is unchanged from the position set out in our <i>Audit Fee Letter 2013/14</i>.</p>

We undertake our work on your financial statements in four key stages during 2014:

- **Planning** (January to February).
- **Control Evaluation** (April).
- **Substantive Procedures** (July).
- **Completion** (September).

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



During January and February 2014 we 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 that would impact on our audit.

We will issue our *Accounts Audit Protocol* following completion of our planning work.

Our planning work takes place in January and February 2014. 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. Any risks identified to date through our risk assessment process are set out in this document. 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 have regular contact with the Service Manager - Finance and Commercial to consider issues and how they 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.

Audit strategy and approach to materiality

Our audit is performed in accordance with International Standards on Auditing (ISAs) (UK and Ireland). 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.

In accordance with ISA 320 '*Audit materiality*', we plan and perform our audit to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view. Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

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 met with the Service Manager - Finance and Commercial and Group Accountants in February to discuss mutual learning points from the 2012/13 audit. These will be incorporated into our work plan for 2013/14. We revisit progress against areas identified for development as the audit progresses.

During April 2014 we will complete our interim audit work.

We will assess if controls over key financial systems were effective during 2013/14.

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

We will report any significant findings arising from our work to the Corporate Governance Group.

Our interim visit on site will be completed from 28th April 2014. 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 findings of the internal audit function.
- 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 will confirm our understanding by completing walkthroughs for these systems. We will then test selected controls that address key risks within these systems. The strength of the control framework informs the amount and scope of substantive testing that we complete during our final accounts visit.

Critical accounting matters

Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment in relation to specific risks as part of our interim work.

Our audit approach – substantive procedures

During July 2014 we will be on site for our substantive work.

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

We will 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 2014.

Our on site final accounts visit has been scheduled for the period 14th July 2014 to 25th July 2014. 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 key risk areas identified at the planning stage and any additional issues that may have emerged since.

We will discuss the Authority's approach to address the key risk areas with the Service Manager - Finance and Commercial in July 2014, prior to reporting to the Corporate Governance Group in September 2014.

Audit adjustments

During our on site work, we will meet with the Service Manager - Finance and Commercial on a weekly basis to discuss 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 of our audit 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 in September 2014.

In addition to the financial statements, we also review 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.

We confirm our independence.

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. Deadlines for production of the pack and issue of our opinion on the pack have not yet been confirmed.

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 specific 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 finance team and the Corporate Governance Group. Our deliverables are included on page 16.

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 partner 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 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 which, 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.

Appendix 1 provides further detail on auditors' responsibilities regarding independence and objectivity.

Confirmation statement

We confirm that as of 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 set out our assessment of the significant risks to the audit of the Authority's financial statements for 2013/14.


Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our *ISA 260 Report*.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this presumed risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.


The table overleaf sets out the only significant risk we have identified through our planning work that are specific to the audit of the Authority's financial statements for 2013/14.

We will revisit our assessment throughout the year and should any additional risks present themselves we will adjust our audit strategy as necessary.

We have outlined the impact of our key risk areas on our audit plan.

Key audit risks	Impact on audit
 <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ Pension Liability ■ Actuarial gains and losses 	<p>Risk</p> <p>During the year, the Local Government Pension Scheme for Nottinghamshire (the Pension Fund) has undergone a triennial valuation with an effective date of 31 March 2013 in line with the Local Government Pension Scheme (Administration) Regulations 2008. The Authority's share of pensions assets and liabilities is determined in detail, and a large volume of data is provided to the actuary in order to carry out this triennial valuation.</p> <p>The IAS 19 numbers to be included in the financial statements for 2013/14 will be based on the output of the triennial valuation rolled forward to 31 March 2014. For 2014/15 and 2015/16 the actuary will then roll forward the valuation for accounting purposes based on more limited data.</p> <p>There is a risk that the data provided to the actuary for the valuation exercise is inaccurate and that these inaccuracies affect the actuarial figures in the accounts. Most of the data is provided to the actuary by Nottinghamshire County Council who administer the Pension Fund.</p> <p>Our audit work</p> <p>As part of our audit, we will need to agree the data provided to the actuary back to the systems and reports from which it was derived, and test the accuracy of this data.</p> <p>We will liaise with the separate KPMG audit team for the Pension Fund, where this data was provided by the Pension Fund on the Authority's behalf. The Pension Fund may seek to recharge any additional costs arising from this work.</p>

We have outlined the impact of our key risk areas on our audit plan.

Key audit risks	Impact on audit
 <p>Audit areas affected</p> <ul style="list-style-type: none"> ■ Cash ■ Bank reconciliation 	<p>Risk</p> <p>The Council has implemented a new cash receiving system in year. As with the implementation of any new material information system we will need to consider how the Council has implemented and tested the new system to provide itself with assurance that it is operating effectively</p> <p>The cash balances to be included in the financial statements for 2013/14 will be based on the output of the new cash receiving system.</p> <p>There is a risk that the new cash receiving system may not be operating effectively which will subsequently impact on the accuracy of the bank reconciliation and cash figures in the accounts</p> <p>Our audit work</p> <p>As part of our audit, we will review how the new cash receiving system has been implemented and tested. We will review any impact the new system has had on the bank reconciliation process. In particular we will review and test the most recent bank reconciliation to ensure it is accurate.</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 .	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 .	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 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.

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>Such work may involve interviews with relevant officers and /or the review of documents such as policies, plans and minutes. We may also refer to any self assessment the Authority may prepare against the characteristics.</p> <p>To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion.</p> <p>At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted. 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, including:</p> <ul style="list-style-type: none"> ■ considering the results of work by the Authority, inspectorates and other review agencies; and ■ carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

We have completed our initial risk assessment and have not identified any risks to our VFM conclusion at this stage. We will update our assessment at year end.

We will conclude on the results of the VFM audit through our ISA 260 Report.

VFM audit stage	Audit approach
Delivery of local risk based work	<p>Depending on the nature of the residual audit risk identified, we may be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as:</p> <ul style="list-style-type: none"> ■ local savings review guides based on selected previous Audit Commission national studies; and ■ update briefings for previous Audit Commission studies. <p>The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.</p>
Concluding on VFM arrangements	<p>At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources.</p> <p>If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.</p>
Reporting	<p>We have completed our initial VFM risk assessment and have not identified any key issues. We will update our assessment throughout the year should any issues present themselves and report against these in our ISA260.</p> <p>We will report on the results of the VFM audit through our <i>ISA 260 Report</i>. This will summarise any specific matters arising, and the basis for our overall conclusion.</p> <p>The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.</p>

Your audit team has been drawn from our specialist public sector assurance department. Our audit team have been refreshed from last year's audit, with a new Engagement Lead and Manager.

Contact details are shown on page 1.

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



Neil Bellamy
Director

"My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.

I will be the main point of contact for the Corporate Governance Group and Chief Executive."



Richard Walton
Manager

"I provide quality assurance for the audit work and specifically any technical accounting and risk areas.

I will work closely with the Director to ensure we add value.



Thomas Tandy
Assistant Manager

"I will be responsible for the on-site delivery of our work and will 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 as appropriate with the Authority's officers prior to publication.

Deliverable	Purpose	Committee dates
Planning		
External Audit Plan	<ul style="list-style-type: none"> ■ Outlines our audit approach. ■ Identifies areas of audit focus and planned procedures. 	February 2014
Control evaluation and Substantive procedures		
Report to Those Charged with Governance (ISA 260 Report)	<ul style="list-style-type: none"> ■ Details control and process issues. ■ Details the resolution of key audit issues. ■ Communicates adjusted and unadjusted audit differences. ■ Highlights performance improvement recommendations identified during our audit. ■ Comments on the Authority's value for money arrangements. 	September 2014
Completion		
Auditor's Report	<ul style="list-style-type: none"> ■ Provides an opinion on your accounts (including the Annual Governance Statement). ■ Concludes on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion). 	September 2014
Whole of Government Accounts	<ul style="list-style-type: none"> ■ Provide our opinion on the Authority's WGA pack submission. 	September 2014
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 2014

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

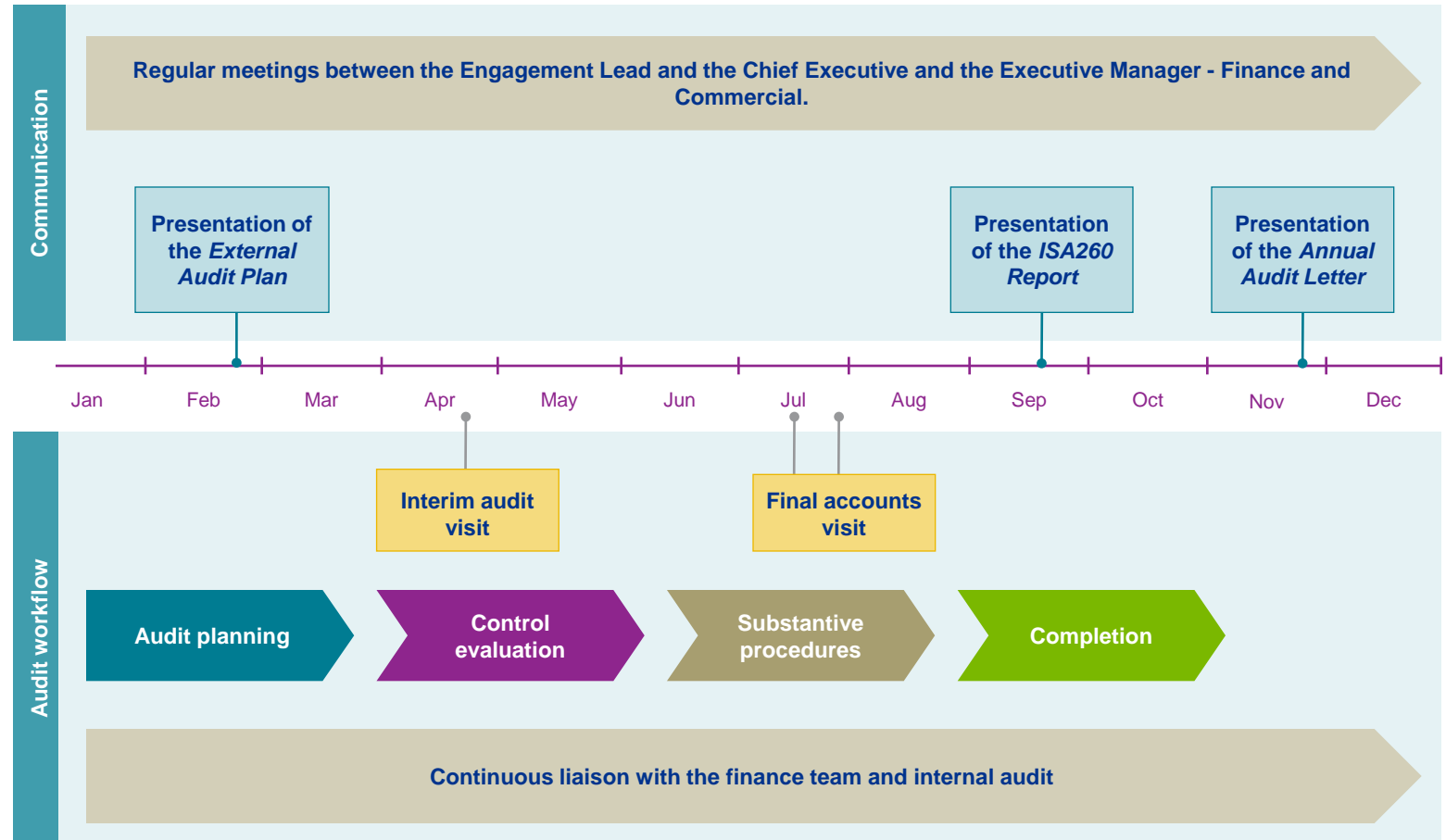
Key formal interactions with the Corporate Governance Group are:

- February – 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 July.



Key: ● Corporate Governance Group meetings.

The fee for the 2013/14 audit of the Authority is £54,150. The fee has not changed from that set out in our *Audit Fee Letter 2013/14* issued in April 2013.

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 2013/14* presented to you in April 2013 first set out our fees for the 2013/14 audit. We have not considered it necessary to make any changes to the agreed fees at this stage.

Our audit fee includes our work on the VFM conclusion and our audit of the Authority's financial statements.

The planned audit fee for 2013/14 is £54,150. This is inline with the 2012/13 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 2012/13;
- 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 2013/14* within your 2013/14 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 or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

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. Future audit fees can be kept to a minimum if the Authority achieves an efficient and well-controlled financial closedown and accounts production process which complies with good practice and appropriately addresses new accounting developments and risk areas.

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:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of Commission-related work, and senior members of their audit teams should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.

- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Firms are expected to comply with the requirements of the Commission's protocols on provision of personal financial or tax advice to certain senior individuals at audited bodies, independence considerations in relation to procurement of services at audited bodies, and area wide internal audit work.
- 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 a periodic basis.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the standing guidance.

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.

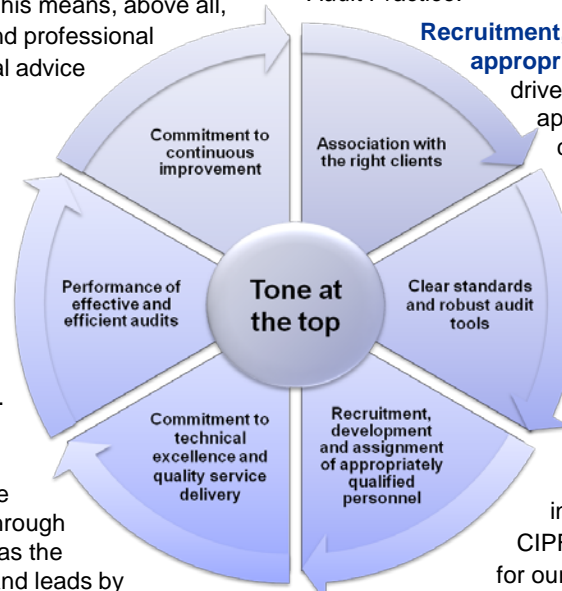
We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

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. Neil Bellamy 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 data base, 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 quarterly 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-to-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 Audit Commission publishes information on the quality of work provided by KPMG (and all other firms) for audits undertaken on behalf of them (<http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/principal-audits/kpmg-audit-quality>).

The latest Annual Regulatory Compliance and Quality Report (issued June 2013) showed that we performed highly against the Audit Commission's criteria. We were one of only two firms to receive a combined audit quality and regulatory compliance rating of green for 2012/13.



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Corporate Governance Group

23 April 2014

Certification of Grants and Returns – Annual Report 2012/13

7

Report of the Executive Manager – Finance and Commercial

Summary

1. This report from KPMG summarises the work undertaken during 2013/14 in relation to grant claims and returns for the financial year 2012/13.
2. 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. Furthermore KPMG state that *'The Council has good arrangements for preparing its grants and returns and supporting our certification work'*.
3. KPMG staff will be available to answer any detailed questions.

Recommendation

It is RECOMMENDED that the Corporate Governance Group accept the report.

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.

Background Papers Available for Inspection: Nil



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Certification of grants and returns 2012/13

Rushcliffe Borough Council

February 2014



The contacts at KPMG in connection with this report are:

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Manager

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Assistant Manager

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■ Headlines	2
■ Summary of certification work outcomes	3
■ Fees	5

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 Neil Bellamy, who is the engagement leader to the Authority (telephone 0116 256 6082, e-mail neil.bellamy@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 Manager, Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 0303 444 8330.

Introduction and background	<p>This report summarises the results of work on the certification of the Council's 2012/13 grant claims and returns.</p> <p>For 2012/13 we certified one claim (Housing and Council Tax Benefits Scheme) with a total value of £23,308k and one return (National Non Domestic Rates) with a total value of £22,239k.</p>	<p>-</p>
Certification results	<p>We issued an unqualified certificate for the National Non Domestic Rates return but amendment and qualification was necessary for the Housing and Council Tax Benefit Scheme.</p> <ul style="list-style-type: none"> ■ While certifying the Housing and Council Tax Benefit scheme, two errors were identified that required additional testing. The errors were not significant individually but required further investigation in line with the DWP approach. ■ In accordance with the certification instructions a qualification was mandated as a result of identifying errors of this nature. 	<p>Page 3</p>
Audit adjustments	<p>One minor adjustments was necessary to the Housing and Council Tax Benefit Scheme as a result of our 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. 	<p>Page 4</p>
The Council's arrangements	<p>The Council has good arrangements for preparing its grants and returns and supporting our certification work .</p> <p>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.</p>	
Fees	<p>The Audit Commission changed its fee regime for certifying grants and returns in 2012/13, and set an indicative fee for the Council of £10,550, the current estimated fee is £11,088.</p> <p>The current estimated fee, £11,088, is slightly higher than the indicative fee due to the work carried out around two errors found in the Housing and Council Tax Benefit scheme certification.</p> <p>The fee has been relatively contained, resulting predominantly from the relatively small number of errors found, and the good level of cooperation and quality working papers received from the Authority's officers in relation to the certification of both returns.</p>	<p>Page 5</p>

Overall, we certified two returns:

One was unqualified with no amendment; and

One required a qualification to our audit certificate, details of which are provided on the following page.

Detailed below is a summary of the key outcomes from our certification work on the Authority's 2012/13 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 Authority'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 Authority to satisfy itself that the full amounts of grant claimed are appropriate.

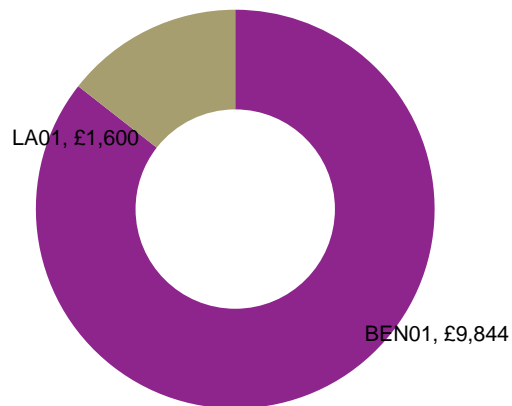
	Comments overleaf	Qualified certificate	Significant adjustment	Minor adjustment	Unqualified certificate
Housing & Council Tax Benefit	1				
National Non Domestic Rates return	2				
		1	0	1	1

This table summarises the key issues behind the qualification that was identified on the previous page.

Ref	Summary observations	Amendment
1	<p>Housing and Council Tax Benefits scheme</p> <p>The Qualification Letter raised two issues:</p> <ul style="list-style-type: none"> • One case where benefit had been overpaid due to the incorrect classification of an overpayment • One case where benefit had been overpaid due to income figures being applied from the incorrect date. Further testing indicated that this was an isolated error. This is what the £11 amendment is related to. <p>Neither of these issues had been raised in previous years.</p>	£11

Our overall estimated fee for the certification of grants and returns is currently higher than the original indicative fee.

Breakdown of certification fees 2012/13



Breakdown of fee by grant/return		
	2012/13 (£)	2011/12 (£)
BEN01 – Housing and Council Tax Benefit	9,844	17,101
LA01 – National Non Domestic Rates return	1,600	1,463
Reporting	N/A	1,000
Total fee	11,444	19,564

The Audit Commission changed its fee regime for certifying grants and returns in 2012/13. It set an indicative fee for the Council of £10,550. Based on the actual work we carried out, the actual fee, £11,444, is slightly higher with the indicative fee. This is predominately a result of the work required in relation to two errors found during the Housing and Council Tax Benefit scheme certification.



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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, Baker Tilly. It is the fourth report for the 2013/14 year and shows the current position against the 2013/14 audit plan along with any significant recommendations.
2. The report details 15 audits that have been finalised over the year with 1 high and 6 medium recommendations as a result of those audits. Furthermore there are 6 audits where the work has been completed and the reports are in the process of being agreed. It is pleasing that the work has been completed during the year, given the lateness of completion of audits last year. There is also a £6,630 saving with fewer days being required to complete the audit, as Baker Tilly look to provide better value for money in what are difficult economic times.
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 costs of the internal audit services are contained within existing budgets also paragraph 2 highlights budget reductions.

Section 17 Crime and Disorder Act

There are no section 17 implications.

Diversity

There are no diversity issues.

Background Papers Available for Inspection: Nil

Rushcliffe Borough Council

Internal Audit Progress Report – 2013/14

Corporate Governance Group: 23 April 2014

Introduction

The internal audit plan for 2013/14 was approved by the Corporate Governance Group (CGG) on 24 April 2013. This report provides an update on progress against that plan and summarises the results of our work to date.

Summary of Progress against the Internal Audit Plan

The CGG 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 CGG should note that any negative (red) assurance opinions will need to be noted in the annual report and may result in a qualified or negative annual opinion.

Assignment <i>(Reports considered today are shown in bold italics)</i>	Status	Opinion	Actions Agreed		
			High	Medium	Low
Commercial Property Portfolio	FINAL	GREEN	0	1	2
Home Alarm Scheme	FINAL	GREEN	0	0	0
Transformation and Cost Savings	FINAL	GREEN	0	0	0
Bingham Market	FINAL	AMBER / GREEN	0	2	0
Housing Benefits	FINAL	GREEN	0	0	1
Governance – Compliance with Expenses Policy	FINAL	GREEN	0	1	3
Strategic Housing Capital	FINAL	GREEN	0	0	1
Community Facilities	FINAL	AMBER / GREEN	0	0	7
Community Support Grants	FINAL	GREEN	0	1	0
Purchase Ordering & Creditors	FINAL	AMBER / GREEN	1	0	2
Income & Debtors	FINAL	GREEN	0	0	4

NNDR	FINAL	GREEN	0	0	0
Council Tax	FINAL	GREEN	0	0	3
Capital Programme & Assets	FINAL	GREEN	0	0	1
Temporary Accommodation	FINAL	AMBER / GREEN	0	1	5
Payroll	DRAFT				
Treasury Management, Cash & Banking	DRAFT				
Tendering	DRAFT				
Risk Management	DRAFT				
General Ledger	DRAFT				
Follow Up	DRAFT				

Other Matters

Planning and Liaison:

On-going liaison takes place with the Service Manager - Finance and other relevant managers in respect of scoping and planning each of the audit assignments.

Audit Planning 2014/15:

We have recently met with the Executive Managers, to discuss the content of our proposed 2014/15 audit plan. The proposed plan is being presented to this meeting for review and consideration.

Cost Savings:

Following a meeting with the Service Manager - Finance, we agreed to review the 2013/14 audit plan with a view to making some efficiency savings. Following completion of the plan our overall efficiency savings equated to £6,630 which is 11% of the total fee. This saving consists of 16 days originally allocated to IT and 10 contingency days.

Internal Audit Plan 2013/14 - Change Control:

Action	Date	Agreed By
Potential cost savings, by reduction in days.	October 2013	CCG – Nov 2013

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, together with any attachments, is provided pursuant to the terms of our engagement. The use of the report is solely for internal purposes by the management and Board of our client and, pursuant to the terms of the engagement, it should not be copied or disclosed to any third party or otherwise quoted or referred to, in whole in part, without our written 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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Action Plans for Key Recommendations

(Medium or High recommendations only)

NNDR – FINAL

No 'High' or 'Medium' category recommendations were made as a result of this audit.

COUNCIL TAX – FINAL

No 'High' or 'Medium' category recommendations were made as a result of this audit.

CAPITAL PROGRAMME & ASSETS – FINAL

No 'High' or 'Medium' category recommendations were made as a result of this audit.

TEMPORARY ACCOMODATION – FINAL

Ref	Recommendation	Categorisation	Accepted (Y/N)	Management Comment	Implementation Date	Manager Responsible
1	All formal documentation relating to processing a homeless application and housing households in temporary accommodation should be fully completed signed and dated by both the officer(s) involved and applicant. Completed forms should be saved on either the Abritas or Anite System, maintaining a clear record of matters discussed.	Medium	Y	Housing Options Advisors have received training on 27.2.14 on how to save documents to Anite. Team Leaders will undertake random file checks on a monthly basis to ensure all relevant homeless forms have been completed.	27.2.14	Donna Dwyer Anne Tomanek/ Elira Mano

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 three 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 (Appendix B of the attached report)?
 - Does the detailed internal audit plan for the coming financial year (see Appendix C) reflect the areas that the Corporate Governance Group believes should be covered as a priority?
 - Is the Corporate Governance Group satisfied that sufficient assurances are being received to monitor the Council's risk profile effectively, including any emerging issues / key risks (Appendix A) not included in the Strategy or annual plan?
5. Baker Tilly commendably have looked to provide better value for money and reduced their audit fee from £62,220 (2013/14) to £46,155 (2014/15). This reflects a combination of an improved risk profile for the Council and revisiting the key risks which informs what audits should be focused upon and the duration of the audits. On the assumption Members believe the 3 previous questions are positively answered then the level of resource should be adequate. It should also be noted there are 24 contingency days to deal with any additional items of work or where further days are required if, for example, any issues arise from an audit resulting in the need for further resources.
6. A member of the internal audit team will attend the meeting to present the Strategy and be available to answer questions.

Recommendation

It is RECOMMENDED that Members approve the updated Internal Audit Strategy and detailed Audit Plan 2014/15

Financial Comments

These are detailed at paragraph 5, with the proposed audit fee being within budget for 2014/15.

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 2014/2015 - 2016/2017

Presented at the Corporate Governance Group
meeting of: 23 April 2014

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Internal Plan approved by: Chris Williams, Head of Internal Audit

Baker Tilly Risk Advisory Services LLP, 8 April 2014

This report, together with any attachments, is provided pursuant to the terms of our engagement. The use of the report is solely for internal purposes by the management and Board of our client and, pursuant to the terms of our engagement, should not be copied or disclosed to any third party without our written consent. No responsibility is accepted as the plan has not been prepared, and is not intended for, any other purpose.

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1 Developing the Internal Audit Strategy

This document sets out the approach we have taken to develop your internal audit strategy for 2014/2015 – 2016/2017 and the annual plan for 2014/2015.

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: Public Sector Internal Audit Standards.

In line with the requirements of the Public Sector Internal Audit Standards (PSIAS), we plan and perform our internal audit work with a view to reviewing and evaluating the risk management, control and governance arrangements that Rushcliffe Borough Council has in place, focusing in particular on how these arrangements help the organisation to achieve its objectives. This is achieved through a risk-based plan of work, agreed with management and approved by the Corporate Governance Group. Our plan is developed to enable us to provide an opinion at year end, which may also be used by the Board to support its Annual Governance Statement.

1.2 Factors influencing Internal Audit coverage

The organisation's objectives are the starting point in the development of the audit strategy.

Appendix A reflects the range of potential issues that may affect the organisation, some of which are included on your risk register. These were used to focus our discussions with management regarding assurance priorities and to determine where internal audit input would be most beneficial.

In preparing the strategy and the annual internal audit plan, we met with:

- Executive Manager – Finance & Commercial;
- Executive Manager – Neighbourhoods;
- Executive Manager – Communities;
- Executive Manager – Transformation; and
- Executive Manager – Operations & Corporate Governance; and
- The document has been reviewed by the Council's Chief Executive.

The strategy is set out at Appendix B, with the detailed internal audit plan for 2014/2015 set out at Appendix C.

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

- Planned assurance on core areas of activity;

- A contingency allocation, which will only be utilised should the need arise, and which will be subject to prior approval by the Corporate Governance Group;
- Time to follow up previous recommendations and actions to provide the Corporate Governance Group with assurance on the actions taken by management to address previous internal audit recommendations; and
- Audit management, which is used at Partner and Manager level for quality control, client and external audit liaison, preparation of the annual opinion, and attendance at Corporate Governance Group.

2 Assurance Resources

2.1 Your Internal Audit Team

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

Your Client Manager is Mike Riley.

Your Assistant Manager is Kelly Waddoups.

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.

2.2 Internal Audit Fees

The fee for your internal audit service for 2014/2015 is £46,155.

Our fees have reduced from circa £63,000 in 2013/14; this reduction represents a cost saving of 27%. Our aim is to provide better value for money whilst continuing to focus on the key risks which are faced by the Council.

2.3 Working with other assurance providers

We intend to share our plan with the External Auditor to avoid duplication of coverage between Internal and External Audit. This will also ensure that External Audit can continue to place their planned level of reliance on our coverage of financial controls.

The Corporate Governance Group is reminded that internal audit is only one source of assurance. Through our plan we do not seek to cover all risks and processes. We will however, seek to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance obtained.

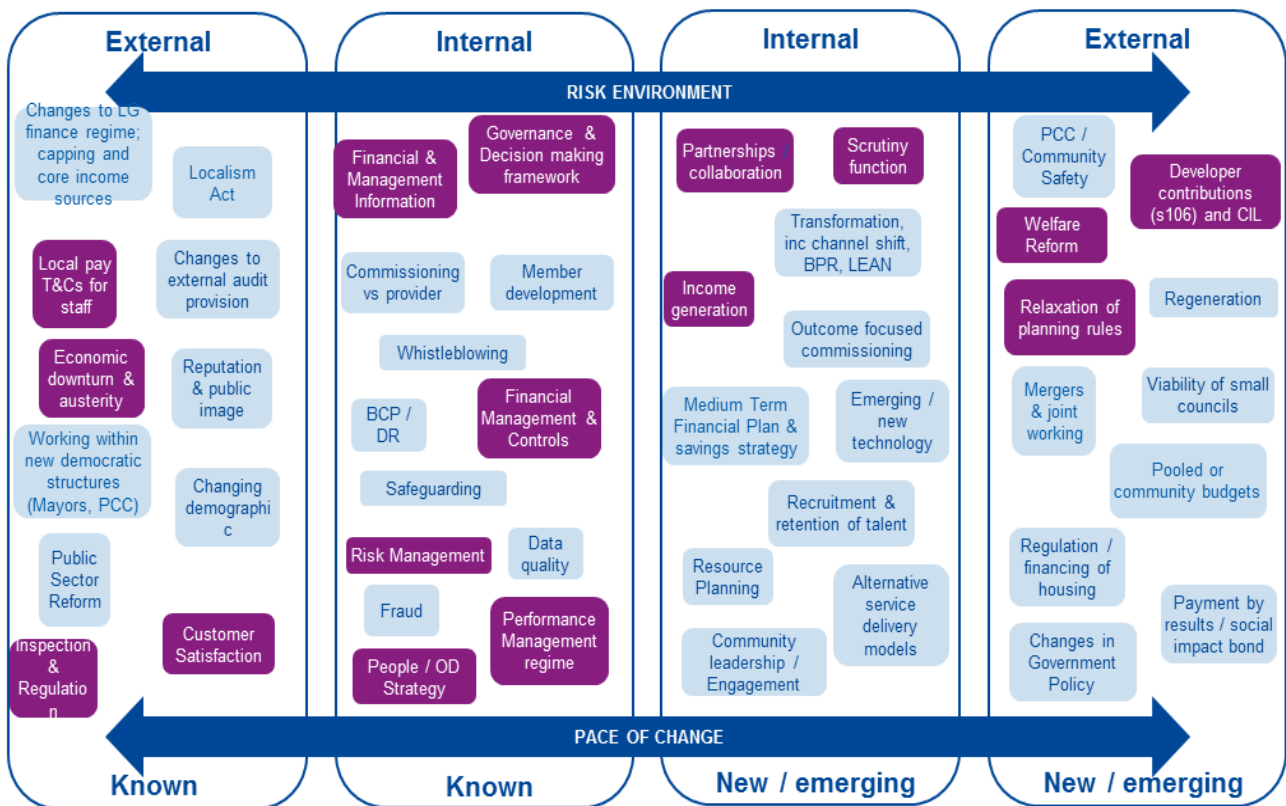
2.4 Considerations for the Corporate Governance Group

- Does the Internal Audit Strategy (Appendix B) cover the organisation's key risks as they are recognised by the Corporate Governance Group?
- Does the internal audit plan for 2014/2015 (Appendix C) reflect the areas that the Corporate Governance Group believes should be covered as priority?
- Is the Corporate Governance Group satisfied that sufficient assurances are being received to monitor the Council's risk profile effectively, including any emerging issues / key risks (Appendix A) not included in the strategy or annual plan?

Appendix A: Issues affecting Rushcliffe Borough Council

The chart below reflects some of the current issues facing the organisation. Those topics which have been highlighted (in dark blue) are those where internal audit coverage is planned in the coming year.

District / Borough Councils



Appendix B: Internal Audit Strategy 2014/15 – 2016/17

Auditable Area	Risks	2014/2015	2015/2016	2016/2017
Risk based reviews				
Governance	Failure to maintain appropriate governance systems for providing Council services.	✓	✓	✓
Risk Management	Failure to maintain appropriate risk management processes which are integral with the achievement of strategy and performance.	✓	✓	✓
Transformation	Failure to achieve the Council's transformation 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.		✓	
Markets	Failure to control and administer the markets service and comply with allocations policy and income collection.			✓
Licencing	Failure to review and set appropriate local licence fees and enforce licencing services operated by the Council.	✓		
Member Services	This is a cyclical review to ensure that the member services function is controlled. Specific risks will be discussed during the year of the review.		✓	
Human Resources	This is a cyclical review to ensure that the human resources department is controlled. Specific risks will be discussed during the year of the review.	✓		✓
Partnerships	Any new or existing partnership arrangements will be reviewed to ensure sufficient controls are in place and adhered to. The partnership to be reviewed on a specific year will be selected on a risk based approach following discussions with the Executive Managers.	✓	✓	✓
Building Control	This is a cyclical review to ensure that the building control department is controlled. Specific risks will be discussed during the year of the review.		✓	

Auditable Area	Risks	2014/2015	2015/2016	2016/2017
	In addition, the Council has recently combined the building control services with a neighbouring local authority, our review will be intended to ensure that a sufficient and robust control framework still exists.			
Development Control	This is a cyclical review to ensure that the development control department is controlled. Specific risks will be discussed during the year of the review.	✓		
Disabled Facilities Grants	A cyclical review of the control framework around the administration and awarding of disabled facilities grants. Specific risks will be discussed during the year of review.			✓
Tendering	This is a cyclical review of the compliance over the contracts and tendering undertaken by the Council. Specific risks will be discussed during the year of the review.		✓	
Land Charges	A cyclical review of the control framework around the maintenance of the register and search applications received and dealt with. Specific risks will be discussed during the year of review.			✓
Information Systems Assurance	Assurance over the Council's IM&T infrastructure and operations. Specific risks will be discussed during the year of review.		✓	✓
Joint Co-operation Agreement for the Garages and Fleet	Failure to have included an adequate control framework in the agreement with the City Council.	✓		
Streetwise	Failure to appropriately manage the relationship between the Council and Streetwise.		✓	
Other Risk Based / emerging issue	It was agreed in 2014/15 to include an allocation for audits identified through management concerns or topical sector issues.	✓	✓	✓

Auditable Area	Outline Scope	2014/2015	2015/2016	2016/2017
Core assurance. Including areas where external audit will place reliance on our work				
Treasury Management, Cash & Banking	External Audit will to 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 Programme & Assets				✓

Other Internal Audit Activity				
Contingency	To allow additional reviews to be undertaken in agreement with the Corporate Governance Group or management based in changes in risk profile or assurance needs as they arise during the year.	✓	✓	✓
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	✓	✓	✓
Management	This will include: <ul style="list-style-type: none"> • Annual planning • Preparation for, and attendance at, Corporate Governance Group • Regular liaison and progress updates • Liaison with external audit and other assurance providers • Preparation of the annual opinion 	✓	✓	✓

Appendix C: Internal Audit Plan 2014/2015

Audit	Internal Audit Coverage	Assurance / Advisory	Lead Executive Manager	Proposed Timing
Assurance and Advisory Reviews to address risks				
Corporate Governance	The focus of our review will be to ensure that the Committee structure operates effectively and officers comply with governance arrangements set out in the Constitution and Standing Orders.	Assurance (10 days)	Executive Manager – Operations and Corporate Governance	Q2
Risk Management	Our work will review the risk methodology and risk management policy ensuring that the documents exist and have been appropriately approved. This will also ensure that the strategic risks link to the corporate strategy.	Assurance (8 days)		Q2/3
Human Resources	We will undertake a review of an aspect of the human resources function. The focus of this review will be discussed with the Executive Manager closer to the time of the review.	Assurance (7 days)		Q1
Transformation	The Council has a transformation plan in terms of efficiency savings and transformation of service delivery. Our review will monitor the reported progress against the plan and provide assurance on the progress towards achievement.	Assurance (7 days)	Executive Manager-Transformation	Q1
Licensing	The Mobile Homes Act 2013 introduces changes to the procedures and penalties for enforcement of site licence conditions on residential parks. The Act came into force 1 st April 2014 – we will review how the Council has dealt with the new provisions. We will also consider the locally set licence fees including the review and administration of these fees.	Assurance (4 days)	Executive Manager - Neighbourhoods	Q2
Joint Co-operation Agreement for the Garages and Fleet	Effective from 1 April 2014 the Council have entered into a joint co-operative agreement with the City	Assurance (8 days)		Q4

Audit	Internal Audit Coverage	Assurance / Advisory	Lead Executive Manager	Proposed Timing
	Council to manager the garages and fleet provision. Our review will consider this agreement and whether controls are sufficient and are being adhered to.			
Development Control	The focus of the review will be pre-planning application charges and the administration of these charges.	Assurance (8 days)	Executive Manager - Communities	Q2
Partnerships – Car Parks	The focus of our review of a partnership during this year will be to review the controls and application of these controls surrounding the car park provision.	Assurance (10 days)	Executive Manager – Finance & Commercial	Q3
Core assurance – Financial Controls				
Treasury Management, Cash & Banking	The review will consider: <ul style="list-style-type: none"> • Documents policies and procedures; • Segregation of duties; • Bank Reconciliations; • Cash Receipting / Banking; • Investments / loans and approval; and • Preparation of cashflows 	Assurance (7 days)	Executive Manager – Finance & Commercial	Q4
Main Accounting System & Budgetary Control	The review will consider: <ul style="list-style-type: none"> • Access controls surrounding the finance system; • Maintenance of the general ledger; • Processing of journals; • Month end and year end closedown procedures; • Reconciliations; and • Budget setting, monitoring and approval 	Assurance (10 days)		Q3
Ordering & Creditors	The review will consider: <ul style="list-style-type: none"> • Raising of purchase orders and authorisation; • Goods receipting procedures; • Credit note procedures and authorisation; • New supplier set up and process for supplier changes; 	Assurance (8 days)		Q4

Audit	Internal Audit Coverage	Assurance / Advisory	Lead Executive Manager	Proposed Timing
	<ul style="list-style-type: none"> Approval of expenditure; Control account reconciliation; and Payments process. 			
Payroll	The review will consider: <ul style="list-style-type: none"> The process for administering starters, changes and leavers and the authorisation for these amendments; Accuracy of the payroll; Deductions; Control account reconciliations; Payroll payments process; Exception reporting; and Management information 	Assurance (8 days)		Q4
Housing Benefits	The review will consider: <ul style="list-style-type: none"> Changes to housing benefits legislation and processes; Policies and procedures; Processing of claims including eligibility and residency checks; Changes in circumstances and the impact on claims; and The payment process 	Assurance (15 days)		Q3
Council Tax	The review will consider: <ul style="list-style-type: none"> Council Tax legislation and associated policies and procedures; Annual billing process; Identification of new properties; Reconciliation to the VOA schedule; Granting of exemptions and discounts; Refunds; Write offs; and In this year there will also be a specific focus on the recovery process. 	Assurance (12 days)		Q3
NNDR	The review will consider: <ul style="list-style-type: none"> Legislation and associated policies and procedures; Annual billing process; Identification of new properties; 	Assurance (12 days)		Q3

Audit	Internal Audit Coverage	Assurance / Advisory	Lead Executive Manager	Proposed Timing
	<ul style="list-style-type: none"> • Inspections of empty properties; • Amendments to the valuation listing and reconciliation process; • Granting of exemptions, discounts and reliefs; • Refunds; • Write Offs; and • In this year there will be a specific focus on the recovery process. 			
Other Internal Audit Activity				
Contingency	To allow additional reviews to be undertaken in agreement with the Corporate Governance Group or management based in changes in risk profile or assurance needs as they arise during the year.	As Required (24 days)	-	As required
Follow up	To meet internal auditing standards, and to provide assurance on action taken to address recommendations previously agreed by management.	Follow Up (8 days)	-	On-going
Management	This will include: <ul style="list-style-type: none"> • Annual planning • Preparation for, and attendance at Corporate Governance Group Committee • Regular liaison and progress updates • Liaison with external audit and other assurance providers • Preparation of the annual opinion 	(15 days)	-	As Used
Total		181 days		



Corporate Governance Group

23 April 2014

Work Programme

10

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
23 April 2014	<ul style="list-style-type: none"> • External Audit Plan 2013/14 • Certification of Grants and Returns – Annual Report 2012/13 • Internal Audit Progress Report 2013/14 • Internal Audit Strategy 2014/15 • Work Programme
19 June 2014	<ul style="list-style-type: none"> • Internal Audit Progress Report 2014/15 • Internal Audit Annual Report 2013/14 • Health and Safety Annual Report • Annual Governance Statement 2013/14 • Corporate Governance Annual Report 2013/14 • Fraud & Irregularities 2013/14 • Revenue & Capital Budget Monitoring • Work Programme
4 September 2014	<ul style="list-style-type: none"> • Internal Audit Progress Report 2014/15 • Statement of Accounts 2013/14 • External Auditors Annual Governance Report 2013/14 • Risk Management Update • Treasury Management Update • Revenue & Capital Budget Monitoring • Work Programme

Date of Meeting	Item
13 November 2014	<ul style="list-style-type: none"> • Internal Audit Progress Report 2014/15 • Health and Safety Interim report • Annual Audit Letter • Revenue & Capital Budget Monitoring • Work Programme
29 January 2014	<ul style="list-style-type: none"> • Internal Audit Progress Report 2014/15 • Treasury Management Update and Presentation • Risk Management Update • Revenue and Capital Budget Monitoring • Work Programme
26 March 2014	<ul style="list-style-type: none"> • External Audit Plan 2014/15 • Certification of Grants and Returns – Annual Report 2013/14 • Internal Audit Progress Report 2014/15 • Internal Audit Strategy 2015/16 • 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