

Audit and Governance Committee Agenda



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Date: 12 March 2013
Website: www.whitehorsedc.gov.uk

A meeting of the
Audit and Governance Committee
will be held on Wednesday 20 March 2013 at 6.30pm
Council Chamber, The Abbey House, Abingdon

Members of the Committee:

Councillors

Simon Howell (Chairman)
Mohinder Kainth (Vice-Chairman)
Mike Badcock
Julia Bricknell
Andrew Crawford

Dudley Hoddinott
Sandy Lovatt
Kate Precious
Judy Roberts
Robert Sharp

A large print version of this agenda is available. In addition any background papers referred to may be inspected by prior arrangement.

Please note that this meeting will be held in a wheelchair accessible venue. If you would like to attend and have any special access requirements, please let the Democratic Services Officers know beforehand and they will do their very best to meet your requirements.

A handwritten signature in black ink, appearing to read "M Reed".

Margaret Reed
Head of Legal and Democratic Services

Agenda

Open to the Public including the Press

Map and vision

(Page 4)

A map showing the location of the venue for this meeting is attached. A link to information about nearby car parking is http://www.whitehorsedc.gov.uk/transport/car_parking/default.asp

The council's vision is to take care of your interests across the Vale with enterprise, energy and efficiency.

1. Notification of substitutes and apologies for absence

To record the attendance of substitute councillors, if any, who have been authorised to attend in accordance with the provisions of standing order 17(1), with notification having been given to the proper officer before the start of the meeting and to receive apologies for absence.

2. Minutes

(Pages 5 - 14)

To adopt and sign as a correct record the minutes of the meeting of the committee held on 30 January 2013.

3. Declarations of interest

To receive any declarations of disclosable pecuniary interests in respect of items on the agenda for this meeting.

4. Urgent business and chairman's announcements

To receive notification of any matters, which the chairman determines, should be considered as urgent business and the special circumstances, which have made the matters urgent, and to receive any announcements from the chairman.

5. Statements, petitions, and questions from the public relating to matters affecting the Audit and Governance Committee

Any statements, petitions and questions from the public under standing order 32 will be made or presented at the meeting.

6. Business continuity and risk management update

(Pages 15 - 18)

To consider the report of the head of HR, IT and customer services.

7. Internal audit activity report - fourth quarter 2013/14

(Pages 19 - 45)

To consider the audit manager's report.

8. Internal audit management report - fourth quarter 2013/14

(Pages 46 - 55)

To consider the audit manager's report.

9. Internal audit plan 2013/14

(Pages 56 - 64)

To consider the audit manager's report.

10. External audit plan 2012/13

(Pages 65 - 83)

To consider then external auditor's audit plan for 2012/13.

11. Actions arising

(Pages 84 - 85)

To consider the strategic director's report.

12. Audit and governance work programme

(Pages 86 - 89)

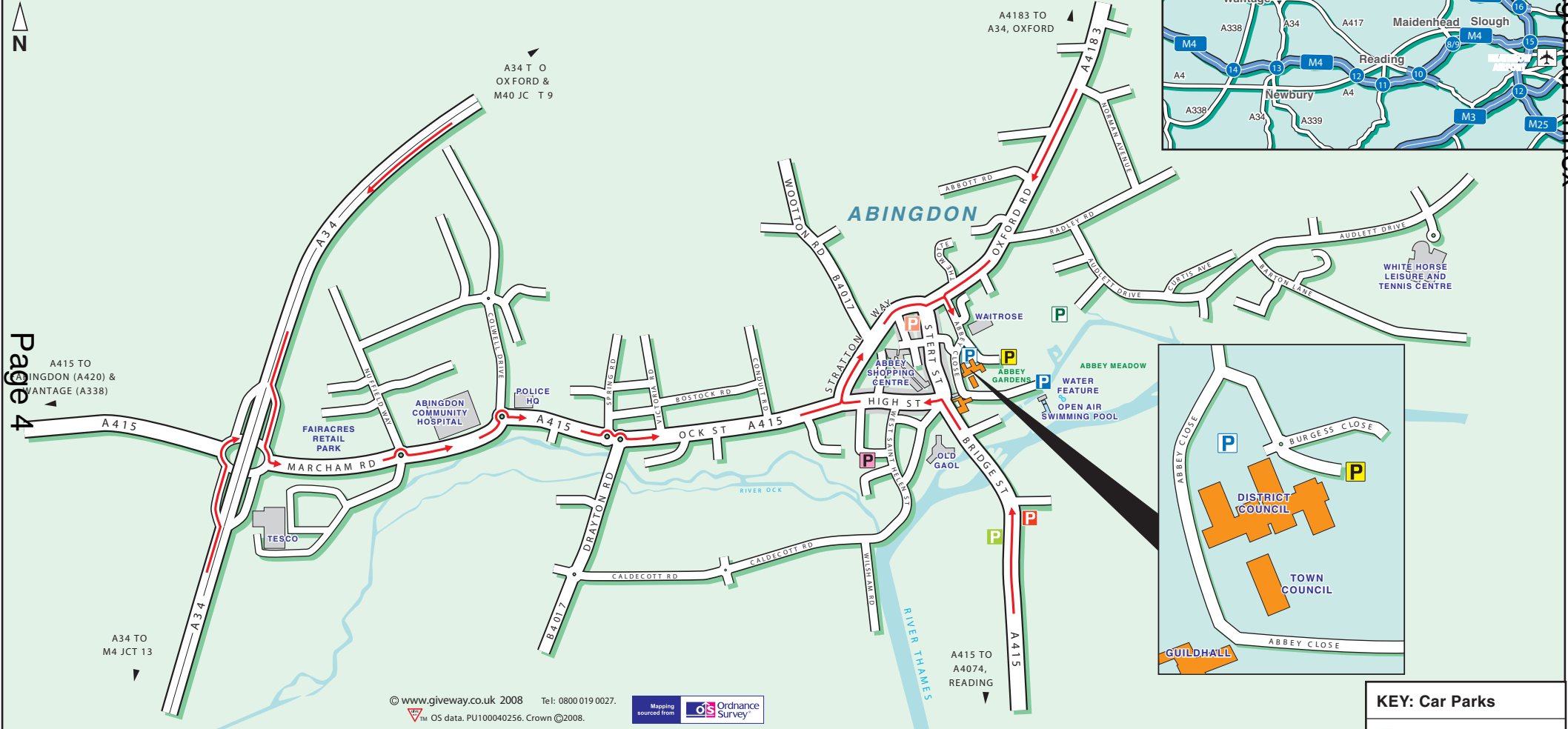
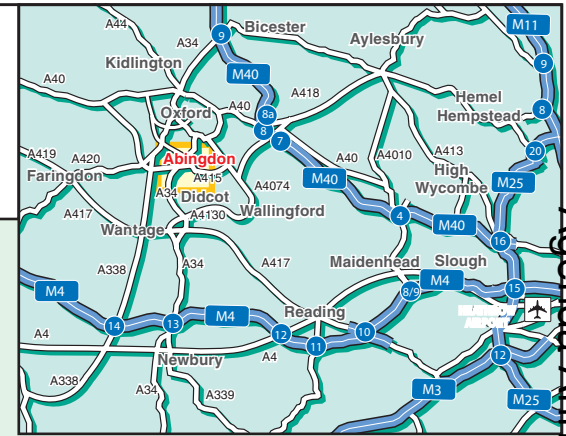
To review the audit and governance work programme.

13. Training

To discuss training for committee members.

Exempt information under Section 100A(4) of the Local Government Act 1972

None



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OS data. PU100040256. Crown ©2008. Mapping sourced from Ordnance Survey

KEY: Car Parks	
	Abbey Close
	Cattle Market
	Charter Multi-storey
	Civic
	Rye Farm
	Hales Meadow
	Audlett Drive
	West St Helen Street

By rail – the nearest main line railway stations to Abingdon are either Didcot Parkway (seven miles) or Oxford (eight miles). Radley railway station is located on the main line between Oxford and Didcot and is three miles from Abingdon town centre. For details of train times visit www.nationalrail.co.uk or call 08457 484950

By bus – there are a number of bus routes serving Abingdon town centre. For details of services and timetables, visit Oxfordshire County Council’s website at www.oxfordshire.gov.uk. Contact details for bus operators can be found on the travel information pages on our website www.whitehorsedc.gov.uk

Parking – details of car parks charges can be found on our website



Minutes

of a meeting of the

Audit and Governance Committee

held on Wednesday 30 January 2013 at 6.30pm
in the Council Chamber, The Abbey House, Abingdon

Open to the public, including the press

Present:

Members: Councillors Simon Howell (Vice-Chairman), Mike Badcock, Julia Bricknell, Andrew Crawford, Dudley Hoddinott, Mohinder Kainth, Sandy Lovatt, Kate Precious, Judy Roberts and Robert Sharp

Non-participating members: Councillors Matthew Barber, and Richard Webber

External auditor: Anthony Faukes, and Anne Ockleston (Ernst & Young)

Officers: Sandy Bayley, Steve Bishop, Jayne Bolton, Steve Culliford, William Jacobs, Sheeraz Khan, Clare Kingston, Adrianna Partridge, Margaret Reed and Bob Watson

By invitation: Nicola Mundy (Capita)

Number of members of the public: Nil

AG.39 Election of a chairman and vice-chairman

RESOLVED: To

- (a) elect Councillor Simon Howell as chairman of the committee for the remainder of the municipal year; and
- (b) elect Councillor Mohinder Kainth as vice-chairman of the committee for the remainder of the municipal year.

AG.40 Notification of substitutes and apologies for absence

None

AG.41 Declarations of interest

None

AG.42 Urgent business and chairman's announcements

None

AG.43 Statements, petitions and questions from the public relating to matters affecting the Audit and Governance Committee

None

AG.44 Dispensations and the councillors' code of conduct

The committee considered the monitoring officer's report that proposed arrangements to deal with requests for dispensations from district councillors to allow them to take part in council and committee meetings where they had a disclosable pecuniary interest.

The committee recalled that it had been authorised by Council to grant dispensations under section 33 of the Localism Act 2011. The committee noted that it could grant a dispensation in any of the following circumstances:

- where so many members of the decision making body had disclosable pecuniary interests in a matter that it would "impede the transaction of the business"
- without the dispensation, the representation of different political groups on the body transacting the business would be so upset as to alter the likely outcome of any vote on the matter
- where the authority considered the dispensation was in the interests of persons living in the authority's area
- without the dispensation, no member of the Cabinet would be able to participate in this matter
- where the authority considered that it was otherwise appropriate to grant a dispensation

As the Act gave discretion to allow a sub-committee or panel to grant a dispensation, the committee established a dispensations panel to determine such requests. The panel would comprise three members of the committee or their substitutes, one of which would, wherever possible, be the committee chairman or vice-chairman. The committee noted that the panel could be convened urgently if necessary to deal with any requests but would be subject to the usual access to information rules as they would be properly constituted local government meetings with agendas and minutes.

The committee supported the proposals.

RESOLVED: To

- (a) appoint sub-committees (to be known as Dispensation Panels) comprising three members of the committee, or their appointed substitutes, and authorise the Dispensation Panel to determine dispensations referred by the monitoring officer;
- (b) appoint each member or substitute of the Audit and Governance Committee to serve on any dispensation panel which is convened so as to include her or him in its membership;

- (c) agree that wherever possible, a panel should comprise the chairman or vice-chairman of the committee plus two other members of the committee, but that this should not affect the principle that any three members of the committee or their appointed substitutes will constitute a properly appointed panel;
- (d) authorise the monitoring officer to convene panels having regard to councillors' availability and eligibility to take part;
- (e) adopt the procedures for dealing with dispensations set out in appendix 1 to the monitoring officer's report with effect from the date of this committee; and
- (f) authorise the monitoring officer to make minor amendments to the procedures including minor or consequential amendments required for clarification, consistency and compliance with the council's style guide.

AG.45 Internal audit activity report - quarter 3 2012/13

The committee considered the audit manager's report on internal audit activity during the third quarter of 2012/13, covering October to December 2012. Of the audits referred to in the report, two had received a full assurance rating from internal audit, five had received satisfactory assurance, and two had received limited assurance. The report also referred to five follow-up audits, of which internal audit had given full assurance to one and satisfactory assurance to four.

The committee considered the report on the discretionary grants 2012/13 audit, which had received limited assurance. The committee noted that the rationale behind delegating the approval of capital community grants to four area committees was to give local councillors the opportunity to have some element of choice in awarding grants to local projects. The committee accepted this.

The committee discussed the report on the payroll 2012/13 audit, which had received limited assurance. In answer to a question from a councillor, the committee noted that in the case of an IT failure, there were back up plans to carry out the payroll run. The committee also noted that the council's officers met regularly with the payroll contractor, Capita, to discuss issues and performance. The head of finance reported that he was happy with the payroll control environment. The committee noted that internal audit would carry out a follow-up audit on the payroll service.

The committee also noted appendix 2 to the report, which set out weaknesses that internal audit had identified as systemic within the council. The audit manager kept these under review.

RESOLVED: To note the report.

AG.46 Internal audit management report - quarter 3 2012/13

The committee considered the audit manager's report on internal audit management in the third quarter of 2012/13, being October to December 2012. This looked at management issues within internal audit and progress against the 2012/13 audit plan.

The committee noted that there were no significant issues to report and that just one non-key audit was likely to be in progress at the financial year-end (March 2013). Otherwise, the audit plan was on schedule for completion.

In answer to a question from a councillor, the committee noted that the head of finance would be reviewing the staff resources necessary to carry out corporate fraud and benefit fraud work and would come forward with proposals.

RESOLVED: To note the report.

AG.47 Treasury management mid year report 2012/13

The committee considered the head of finance's report that detailed the council's treasury activities for the first six months of 2012/13 and looking to the rest of the financial year, provided an update on current economic conditions.

The committee noted that the council's treasury management activities had operated within the agreed parameters set out in the 2012/13 treasury management strategy. The officers expected the council to receive approximately £120,000 more investment income by the financial year-end than predicted; the committee welcomed this.

RESOLVED: To

- (a) Note the treasury management mid-year monitoring report 2012/13; and
- (b) Advise Cabinet that the committee is satisfied that the council's treasury activities are being carried out in accordance with the treasury management strategy and policy.

AG.48 Treasury management and investment strategy 2013/14

The committee considered the head of finance's report that presented the draft treasury management strategy for 2013/14 to 2015/16. The report set out the expected treasury operations for the period, comprising four elements required by legislation:

- The prudential indicators required by the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities
- The treasury management strategy in accordance with the CIPFA Code of Practice on Treasury Management. This set out how the council's treasury service would support capital investment decisions, and how the treasury management would operate day to day. It set out the limitations on treasury management activity through prudential indicators, within which the council's treasury function must operate
- The annual investment strategy, which set out the council's criteria for selecting counterparties and limiting exposure to the risk of loss on its investments. This strategy was in accordance with the Department for Communities and Local Government's investment guidance and formed part of the treasury management strategy
- A statutory duty to approve a minimum revenue provision policy for 2013/14

The officers recommended changes to the treasury management strategy for 2013/14 to:

1. Raise the limit that could be invested in UK government-backed institutions to £15 million

2. Extend the investment period with the council's own 'house bank', the Co-operative Bank plc, to three months duration and to set a limit of £5 million
3. Provide the facility to invest £3 million in a pooled property fund
4. Add a limit of £5 million for the investment in corporate bonds with a minimum AA- credit rating or equivalent
5. Add a limit of £3 million for investment in equities via a pooled fund
6. Provide a limit of £15 million for investment in managed bond funds
7. Change the counterparty limits and maturity periods for investments with building societies as set out in table 5 of appendix A to the report

Some councillors expressed concerns at the proposal to invest in (c) to (f) above, worrying that the council would be taking unnecessary risks with taxpayers' money. Other councillors believed that the proposed strategy would allow the officers flexibility to place surplus funds, spread risk across a broader range of investment options, and achieve greater returns. The committee noted that the corporate bonds the council would invest in would be housing association bonds or AAA bonds. The strategy gave priority to security and liquidity.

The committee supported the recommendations, with the exception of Councillor Crawford who asked for his abstention to be recorded, and his concerns relayed to Cabinet.

RESOLVED: To recommend Cabinet to recommend Council to

- (a) approve the treasury management strategy 2013/14;
- (b) approve the prudential indicators and limits for 2013/14 to 2015/16 as set out in table 2, appendix A to the head of finance's report;
- (c) approve annual investment strategy 2013/14 set out in appendix A to the report and the lending criteria detailed in table 5.

AG.49 External auditor's audit fee letter 2012/13

The committee considered the 2012/13 audit fee letter from the council's external auditor, Ernst & Young. This set out the audit work proposed for the council for the 2012/13 financial year, and the actual audit fee for 2010/11.

The fees reflected the risk-based approach to audit planning set out in the Code of Audit Practice. The indicative fee of £61,397 would cover the cost of auditing the council's financial statements, providing a value for money conclusion, and Whole of Government accounts. The committee also noted that there was a separate fee of £19,750 for the certification of claims and returns in 2012/13.

The committee was pleased to note that the fee was reducing, subject to the external auditor finding no issues that required further investigation.

RESOLVED: To note the report.

AG.50 Certification of claims and returns 2011/12

The committee considered the annual certification report 2011/12 from the council's external auditor, Ernst & Young. This looked at the sums the council claimed from the Vale of White Horse District Council – Audit and Governance Committee minutes

government in grants and subsidies and checked whether the council had correctly accounted for these in its returns to government.

The committee noted that the council's housing benefit subsidy claim was subject to both amendment and qualification. The amendment affected the grant due to the council, increasing it by £6,963. The auditor drew the committee's attention to the non-housing revenue account rent rebates section of the housing benefit claim. There were a number of errors disproportionate to the number and value of claims. The auditor believed effective data cleansing of non-housing revenue account cases would significantly reduce these errors, reduce audit time, and reduce the impact on benefit staff in resolving queries. If the auditor had not discovered the errors, this would have resulted in lost subsidy to the council.

RESOLVED: To note the report.

AG.51 Minutes

RESOLVED: To adopt as a correct record the minutes of the committee meeting held on 26 September 2012 and agree that the chairman signs them.

AG.52 Actions arising

The committee considered the strategic director's report on actions arising from previous committee meetings and updated the schedule as set out below.

RESOLVED: To update the action arising as follows:

(a) Annual Governance Statement AG.32 & AG.35	Committee Date – 28 September 2011
On 28 September 2011, the committee suggested introducing an investment strategy, particularly in relation to property.	
Comment An investment strategy had been included in the treasury management and investment strategy considered earlier in the meeting.	Action Remove from the actions arising list.
(b) Treasury management strategy annual review	Committee Date – 18 January 2012
The committee requested the council's asset management group to consider whether the ratio of physical property and financial investments was still fit for purpose.	
Comment This was the committee's role, not for the asset management group. The committee reviewed the ratios in the treasury management strategy.	Action Remove from the actions arising list.
(c) Comments on internal audit reports not presented to committee – National non-domestic rates	Committee Date – 21 March 2012
The committee requested that when further details of the government's changes to the national non-domestic rates system became available, Cabinet, Council and this	

committee should be informed.	
Comment Head of finance to update when in due course.	Action Retain on actions arising list.

(d) District and parish council elections – May 2011	Committee Date – 11 July 2012
The committee requested the returning officer to provide the committee with an analysis of the estimated cost of the 2011 local elections, had the elections printer fulfilled its contract and had the government not held a referendum.	
Comment Information provided to all committee members.	Action Remove from actions arising list.

(e) Complaints procedure	Committee Date – 11 July 2012
The committee requested the officers to reconsider the revised complaints procedure to include councillors' input in the third stage, and consult Councillors Mike Murray and Judy Roberts on the revised proposal before submitting it to the next committee meeting for consideration.	
Comment The chief executive and Councillors Howell and Roberts had agreed to retain the existing procedure but review it after the next annual report.	Action Remove from the actions arising list.

(f) Treasury management	Committee Date – 11 July 2012
The committee requested the officers to circulate the date for councillor training on an introduction to treasury management.	
Comment Treasury management training took place on 16 January 2013.	Action Remove from the actions arising list.

(g) Review of complaints received during 2011/12	Committee Date – 26 September 2012
The committee asked officers to provide a further breakdown of the complaints about the planning service in 2011/12.	
Comment Information provided by email on 4 October 2012.	Action Remove from actions arising list.

(h) Review of complaints received during 2011/12	Committee Date – 26 September 2012
The committee requested the audit manager to investigate what interim checks can be made to assess whether complaints are being recorded appropriately.	
Comment The audit manager reviewed the complaints guidance and a sample of comments/complaints received in revenues and benefits, waste, housing, food safety and planning. It was noted that there were contradictory statements within the staff	Action Remove from actions arising list.

<p>guidance on how the council defines a formal complaint, and there was no definition for members of the public on the council's website. These observations were passed to the personal assistant to the chief executive for action.</p> <p>With regards to the sample reviewed, internal audit did note a difference in interpretation of the policy within the waste team. This has been discussed with the waste administration team leader, and actions agreed to ensure a consistent approach. The internal audit team will follow up on these recommendations during the next complaints audit.</p>	
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(i) Internal audit activity report – quarter 2 2012/13	Committee Date – 26 September 2012
<p>The committee asked the officers to review the retention of documents policy to establish whether the timescales are still relevant.</p>	
<p>Comment Internal audit reviewed the timescales as part of a recent data protection audit 2012/2013, and has no concerns.</p>	<p>Action Remove from actions arising list.</p>

(j) Internal audit activity report – quarter 2 2012/13	Committee Date – 26 September 2012
<p>The committee asked the audit manager to check whether emails relating to changes to staff conditions of employment are accessible.</p>	
<p>Comment Within the recent payroll audit 2012/2013, a sample of 11 starters, 20 leavers, 30 variations to pay and 20 amendments to personal data were reviewed. Authorisation evidence could not be located for 10 starters, five leavers, 14 variations to pay and seven amendments to personal data.</p> <p>However, an additional sample of the most recent 15 amendments to personal data were reviewed in October 2011, and 14 emails authorising the amendment could be located.</p> <p>This area will be reviewed again in 2013/2014.</p>	<p>Action Remove from actions arising list.</p>

(k) Internal audit activity report – quarter 2 2012/13	Committee Date – 26 September 2012
The committee asked the audit manager to check annual leave entitlement calculations to ensure they are correct.	
Comment A sample of the most recent 15 annual leave entitlement calculations were reviewed (10 part-time and 5 full time) in October 2011, and internal audit was satisfied that all calculations were correct and HR Pro had been updated accordingly.	Action Remove from actions arising list.
(l) Internal audit activity report – quarter 2 2012/13	Committee Date – 26 September 2012
The committee asked the audit manager to follow up the need to reconcile weighbridge data for the amount of recycled waste collected.	
Comment The waste team have completed a reconciliation spot check of Q1 2012/13, and are aware that they need to complete further spot checks. Internal audit will continue to monitor progress against this recommendation.	Action Retain on actions arising list.
(m) Internal audit activity report – quarter 2 2012/13	Committee Date – 26 September 2012
The committee asked the strategic director to review the process to record data once and pass it on to services when new homes are built and occupied.	
Comment Steve Bishop to review	Action Retain on actions arising list.
(n) Internal audit activity report – quarter 2 2012/13	Committee Date – 26 September 2012
The committee asked the officers to provide a completion date for the reconciliation of brown bin customer data against the contractor's data.	
Comment Information provided by email on 15 October 2012.	Action Remove from actions arising list.
(o) Audit Commission's annual governance report 2011/12	Committee Date – 26 September 2012
The committee asked the head of finance to produce a follow-up report on the reasons why the draft 2011/12 accounts contained errors.	
Comment Report submitted to the committee chairman with actions to avoid a repetition next year.	Action Remove from actions arising list.
(p) Statement of accounts 2011/12	Committee Date – 26 September 2012
The committee asked the officers to find out how the property team arrived at the fixed asset value.	

Comment The council used the Royal Institute of Chartered Surveyors' 'red book' to determine fixed asset values.	Action Remove from the actions arising list.
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(g) Statement of accounts 2011/12	Committee Date – 26 September 2012
The committee asked the officers to seek clarification so that the council can have confidence in the actuary's assessment of the council's liability for 2013/14 and beyond.	
Comment Oxfordshire County Council had advised that the actuary's assessment was the best estimate available.	Action Remove from the actions arising list.

(r) Comments on internal audit reports not presented to committee	Committee Date – 26 September 2012
The committee asked the officers to seek legal advice on whether certain post holders can be required to undertake a Criminal Records Bureau check.	
Comment Response pending from legal services.	Action Retain on actions arising list.

AG.53 Audit and governance work programme

The committee updated its work programme for 2013/14. The external auditor reported that it would submit its annual audit letter and management report to the committee in September.

RESOLVED: To update the committee's work programme.

Exempt information under section 100A(4) of the Local Government Act 1972

None

The meeting closed at 8.00 pm

Audit and Governance Committee Report



Report of Head of HR, IT & Customer Services

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To: Audit and Governance Committee

DATE: 20 March 2013

Business continuity and risk management update

Recommendations

We invite Audit and Governance Committee to note our existing arrangements and the additional work we have undertaken since our last annual update report.

Purpose of report

1. The purpose of this report is to provide committee with an update on our business continuity and risk management arrangements.

Relationship with corporate plan

2. Having effective business continuity arrangements in place will help the council in meeting its strategic objective of 'effective management of resources'.

Background

3. The joint Business Continuity Strategy and the joint Risk Management Strategy require us to present regular reports to this committee on how we are managing our risks and to provide an update on our business continuity arrangements. We presented our last annual update to committee on 18 January 2012 with two separate business continuity reports being presented on 21 March 2012 and 26 September 2012.

Business continuity

4. In compliance with the Civil Contingencies Act 2004 and accompanying regulations, we are required to 'assess the risk of an emergency occurring and to maintain plans for the

purpose of ensuring that if an emergency occurs, the councils are able to perform their functions'. In other words, we need to ensure that we would be able to continue to deliver our services to residents in the event of a disruption.

5. We have a procedure in place which ensures that all business continuity plans are reviewed every quarter and amended where necessary. Officers also update the plans on an ad-hoc basis to ensure leavers are removed and new starters are added.
6. The plans are stored on the general drive as well as remotely in case access to the council network is restricted or unavailable during a disruption.
7. Since our last update, the Emergency Planning Unit (Oxfordshire County Council) conducted a business continuity and emergency planning simulated exercise, named Exercise Ping Pong. We reported the findings of the exercise to committee on 26 September along with confirmation that we had implemented all the recommendations made by the Emergency Planning Unit. We also provided details on the additional work we were undertaking to enhance our existing arrangements.
8. We had implemented all the recommendations made by the Emergency Planning Unit. One area we had identified as needing further work was the production of a testing and rehearsal schedule to include training of key officers. The schedule is attached as an annex for your information.
9. The joint Business Continuity Strategy is currently being reviewed and updated. We will present this at the next committee meeting.

Risk management

10. The council still has seven operational risk registers and seven risk champions, one for each service. We continue to review and update the registers every quarter in accordance with the Risk Management Strategy. We consider the risk registers to be confidential documents and therefore have not attached them to this report.
11. The strategic management board has recently reviewed the strategic risk register to ensure it is up to date, the risks remain relevant and also if any further action is required. We will review it again in April 2013 and update if necessary. There are currently four strategic risks recorded:
 - partnerships
 - joint working arrangements
 - housing provision
 - recession
12. The joint Risk Management Strategy is currently being reviewed and updated. We will present this to committee for approval at the next committee meeting.

Financial, legal and any other implications

13. There are no financial or legal implications arising from this report, other than to note that by having business continuity arrangements in place, the council is meeting its obligations under the Civil Contingencies Act 2004.

Conclusion

14. We continue to have robust and effective risk management and business continuity arrangements in place. Our business continuity plans are up to date, we are managing our risks effectively and are aware of those risks which need further management.
15. We will bring the joint Business Continuity Strategy, the joint Risk Management Strategy and the business continuity testing and rehearsal schedule to the next committee meeting for approval.

Recommendation

16. We invite Audit and Governance Committee to note our existing arrangements and the additional work we have undertaken since our last annual update report.

TESTING AND REHEARSING SCHEDULE

Test type	2013 – 2014				2014 – 2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Crisis management plan walkthrough – to ensure the strategic crisis team are familiar with the format and content of their plan (duration one hour)	√		√		√		√	
Business continuity plan walkthrough – to ensure plan holders are familiar with the format and content of their plan (duration one hour)	√		√		√		√	
Strategic crisis team rehearsal – to lead the strategic crisis team through a realistic, simulated disaster scenario (duration one to two hours)		√ *		√ **		√ *		√ **
Business continuity exercise – to ensure that all plans are tested against a realistic, simulated disaster scenario (duration three hours maximum)		√***				√***		
Call-out cascade test – to ensure all members of staff can be contacted in an emergency (duration up to three hours)	√		√		√		√	

* in office hours

** out of office hours

*** dependent on EPU availability and schedule (at least annually)

Audit and Governance Committee Report



20 March 2013

Report of **Audit Manager**

Author: **Adrianna Partridge**

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Cabinet member responsible: **Councillor Matthew Barber**

Telephone: **07816 481452**

E-mail: **matthew.barber@whitehorsedc.gov.uk**

To: Audit and Governance Committee

DATE: 20 March 2013

Wards Affected
All

Internal audit activity report quarter four 2012/13

Recommendations

That members note the content of the report

Purpose of Report

1. The purpose of this report is to summarise the outcomes of recent internal audit activity for the committee to consider. The committee is asked to review the report and the main issues arising, and seek assurance that action will be/has been taken where necessary.
2. The contact officer for this report is Adrianna Partridge, Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823544 and (VWHDC) 01235 547615.

Strategic Objectives

3. Managing our business effectively.

Background

4. Internal audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievements of the Council's objectives. It assists the Council by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work, and recommending improvements where necessary. After each audit assignment, internal audit has a duty to report to management its findings on the control environment and risk exposure, and recommend changes for improvements where applicable. Managers are responsible for considering audit reports and taking the appropriate action to address control weaknesses.

5. Assurance ratings given by internal audit indicate the following:

Full Assurance: There is a sound system of internal control designed to meet the system objectives and the controls are being consistently applied.

Satisfactory Assurance: There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

Limited Assurance: There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

Nil Assurance: Control is weak leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

6. Each recommendation is given one of the following risk ratings:

High Risk: Fundamental control weakness for senior management action

Medium Risk: Other control weakness for local management action

Low Risk: Recommended best practice to improve overall control

2012/2013 Audit Reports

7. Since the last Audit and Governance Committee meeting, the following audits and follow up reviews have been completed:

Completed Audits

Full Assurance: 1

Satisfactory Assurance: 3

Limited Assurance: 1

Nil Assurance: 0

	Page Ref	Assurance Rating	No. of Recs.	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
Mobile Home Parks 12/13	N/A	Satisfactory	11	0	0	5	5	6	6
NNDR 12/13	N/A	Satisfactory	6	0	0	2	2	4	4
Wantage Civic Hall 12/13	23	Limited	20	7	7	12	12	1	1
Treasury Management 12/13	N/A	Full	2	0	0	0	0	2	2
General Ledger 12/13	N/A	Satisfactory	12	1	0	0	0	11	10

Follow Up Reviews

	Page Ref	Original Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing
Risk Management 12/13	N/A	Satisfactory	5	3	0	1	1
Freedom of Information 12/13	N/A	Satisfactory	5	5	0	0	0

8. Members of the committee are asked to seek assurance from the internal audit report and/or respective managers that the agreed actions have been or will be undertaken where necessary.
9. A copy of each report has been sent to the appropriate service manager, the relevant strategic director, the section 151 officer and the relevant member portfolio holder. In addition to the above arrangements, reports are now published on the council intranet and committee members are alerted by e-mail when reports are published.
10. Internal audit continues to carry out a six month follow up on all non-financial audits to establish the implementation status of agreed recommendations. All key financial system recommendations are followed up as part of the annual assurance cycle.

Systemic Control Weaknesses

11. **Appendix 2** of this report sets out weaknesses which have been identified within planned audits which internal audit consider to be systemic within the council. Every recommendation made by internal audit since April 2010 has been logged within a recommendation register according to an Institute of Internal Auditors control type definition, and a point system has been used - 1 point for a low risk recommendation, 2 points for a medium risk recommendation and 3 points for a high risk recommendation. The points have been totalled against each control type, and the top 10% control weaknesses which occur across a number of operational areas have been listed as a systemic control weakness. The table will be reviewed and updated by the audit manager, head of finance and the strategic director (section 151 officer) on an ongoing basis, and will be used to inform the annual audit plan and the scope of individual reviews

Financial Implications

12. There are no financial implications attached to this report.

Legal Implications

13. None.

Risks

14. Identification of risk is an integral part of all audits.

ADRIANNA PARTRIDGE
AUDIT MANAGER

1. WANTAGE CIVIC HALL 2012/2013

1. INTRODUCTION

- 1.1 The fieldwork for this audit was between November - December 2012 and the final report was issued on 25 February 2013.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- Appropriate policies and procedures are in place for the management of Wantage Civic Hall with roles and responsibilities for all operational functions clearly assigned.
 - Adequate management arrangements are in place for the provision of bar services and the café including stock control.
 - There is an appropriate mechanism to manage bookings.
 - To ensure that adequate arrangements are in place for the receipt of income, processing of refunds and the collection of cash and banking.
 - To ensure that adequate reconciliation and monitoring processes are in place for income and expenditure.
 - To ensure that adequate safety and security arrangements are in place for officers and Council assets.
 - To ensure that sufficient management information is available to support performance.

2. BACKGROUND

- 2.1 WCH has three rooms and two larger suites, which include a large auditorium and a dance studio, available to hire for meetings and functions or events. A café area with free Wi-Fi access is open throughout the day which serves hot and cold drinks and light refreshments. The hall is available for hiring and events Monday to Saturday from 8:30am to 22:00. However at present it is only open when there are bookings or events taking place in order to reduce staffing costs.
- 2.2 WCH is staffed by the following part time officers:-
- Supervisor Civic Hall, 25 hours per week
 - Customer Services Assistant, 30 hours per week
 - Two Duty Officers, 25 hours per week
 - Cleaner, 21 hours per week
- Further support is provided by casual duty officers and casual bar staff.
- 2.3 Findings within this review suggest that there is under usage of WCH, particularly for bar events and functions. The usage of WCH has been assessed as a part of the fit for the future programme, and at the time of review a business case was being prepared with a view to developing a marketing plan for WCH. As part of the budget setting process for 2013/14, growth bids have been submitted for developing the usage of WCH.

3. PREVIOUS AUDIT REPORTS

- 3.1 WCH was last subject to an internal audit review in June 2008 as part of a bar management audit which covered Abingdon Guildhall as well as WCH. Six

recommendations were raised and a satisfactory assurance opinion was issued. A follow up of this review in March 2009 found that all six recommendations had been implemented.

4. 2012/2013 AUDIT ASSURANCE

- 4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.
- 4.2 Twenty recommendations have been raised in this review. Seven are high risk, twelve are medium risk and one is low risk.

5. MAIN FINDINGS

5.1 Policies and procedures

- 5.1.1 A hardcopy of procedures was provided for all staff dated June 2010. These are being reviewed and updated and 52 were updated in January 2012 and one in March 2012. Approximately 17 procedures still require review and update including lone working arrangements and the security of the hall. The new procedures are currently only held electronically. Roles and responsibilities are clearly assigned within job descriptions for each of the posts. One recommendation has been made as a result of our work in this area. (Rec 1)

5.2 Bar and café services

- 5.2.1 As bookings are taken hirers indicate if they require bar services for the event. Ensuring the bar is suitably stocked for the event is the responsibility of the Supervisor Civic Hall (SCH), who is the designated premises supervisor named on the premises license so has responsibility for ensuring the bar is managed in accordance with licensing legislation.
- 5.2.2 From review of bar income/expenditure forms from April 2012 to October 2012 there have only been 16 bar events in that period with an average income per month of £672.80 excluding VAT. A one off event was identified where, although there were agency caterers, there were insufficient Civic Hall staff.
- 5.2.3 The stock held at the bar is stock checked annually and there is a check undertaken prior to each event which records any orders needed. Checks are not balanced back with the previous check with an adjustment for additions and sales. Hence the check is in effect a snapshot at that point in time and not a reconciliation of stock. The sales records do not detail the item sold, so unless there was a direct computerised link from the till to a stock system it would be difficult to achieve a formal stock control. Four recommendations have been made as a result of our work in this area. (Recs 2 – 5)

5.3 Bookings

- 5.3.1 The majority of bookings are from regular users for classes such as dance classes and weight watchers. Special events, for example pantomimes, are hosted throughout the year and are widely publicised. Regular bookings are treated the same way as any other one off hiring except that they provide an

annual schedule of bookings, usually for the year, and are invoiced on a monthly basis. There are some other exceptions such as the Town Council who have an arrangement to use the venue for up to 50 town council meetings and for 10 events per financial year. Two recommendations have been made as a result of our work in this area. (Recs 6 – 7)

5.4 Income, cash and banking

5.4.1 Income for café sales is put through a till within the café area and for bar takings through a till behind the bar. Bookings for room hire for one off events are normally managed by taking a deposit up front at the time of booking, usually paid by cash or cheque at the time the booking form is provided. Regular bookers pay at the end of the month for the actual usage. Receipts for bookings are recorded in a receipt book and the payment is recorded on a daily listing. Debit and credit card payments can also be taken and are often used for payments such as pantomime and tea dance tickets. From review of the banking process and documentation there does not appear to be a full reconciliation of the daily supporting documents with the amounts banked and recorded and the process could be simplified. Five recommendations have been made as a result of our work in this area. (Recs 8 – 12)

5.5 Reconciliation

5.5.1 Whilst regular budget monitoring takes place and income is recorded and monitored against targets, there is no regular and recorded reconciliation of transactions with the general ledger system. A brief review of income records from April, May and June 2012 shows £17,298.51 income but the general ledger codings during that period total £16,029.33. Differences may be explained by timing differences such as an invoice being raised during the period but the income actually received the following month. One recommendation has been made as a result of our work in this area. (Rec 13)

5.5 Safety and security

5.5.1 The council has in place specific policies and procedures relating to health and safety. In addition a fire safety folder is maintained with records of the tests and checks made on safety equipment. Officers carry out monthly checks of fire equipment and carry out two evacuation drills each year. Specialist companies undertake formal inspections of fire fighting equipment annually and test the fire alarm and emergency lighting quarterly. WCH staff are trained in first aid and use the Forestcare system when working alone. Details of insurance cover for WCH and any particular requirements could not be established during the review. Six recommendations have been made as a result of our work in this area. (Rec 14 – 19)

5.5 Management information

5.5.1 The main reports are records of income and performance point information records progress against income targets for bar takings and for bookings. The SCH has a short term plan with key targets which is regularly reviewed and updated and includes actions such as attracting new uses and organising specific maintenance. From discussion with officers there do not appear to be any concerns regarding budget monitoring processes, but it is recognised that there needs to be greater usage and income at WCH. One recommendation has been made as a result of our work in this area. (Rec 20)

OBSERVATIONS AND RECOMMENDATIONS

POLICIES AND PROCEDURES

1. Procedures

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Up to date procedures are in place and available to relevant officers covering all processes at Wantage Civic Hall (WCH).</p> <p><u>Findings</u> A hardcopy procedure manual from June 2010 is in use at WCH. Procedures were partly updated in January 2012 but are only held electronically. It is acknowledged that there are plans to complete the review of procedures but there appears to have been limited progress on this in recent months.</p> <p>Procedures still to be updated include lone working arrangements and procedures are lacking for the provision of the café service and bar services.</p> <p><u>Risk</u> If procedures do not cover all processes it may prove difficult to provide cover and continued service should there be of unplanned absences of key staff.</p>	<p>Procedures should be provided to all officers which are:-</p> <ul style="list-style-type: none"> a) Up to date. b) Comprehensive to encompass all processes including the provision of café and bar services. 	<p>WCH Supervisor</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>All procedures are being reviewed and new ones created where gaps have been identified. An action plan has been developed to enable all staff to have input into the review process, and a log devised for them to sign when they have read and understood the procedures.</p> <p>The procedures are being regrouped to make the manual more user friendly and a hard copy will be available in the Wantage Civic Hall office where all staff can access them.</p> <p>Management response: Shared Partnership Development Officer</p>		<p>New procedures in place by 31 March 2013.</p> <p>Full review and regrouping complete by 31 March 2014.</p>

BAR AND CAFÉ SERVICES

2. Bar takings spreadsheets

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Accurate records are maintained of takings which are regularly reconciled with general ledger transactions.</p> <p><u>Findings</u> Although takings themselves were correct, discrepancies were observed in the bar takings spreadsheets recording income for the months from April 2012 to October 2012. For example, October's sheet only had 2 of 5 events completely recorded so the total income was understated. It was noted that values are typed in rather than utilising calculation formula's available within the spreadsheet which could reduce the risk of error.</p> <p>The rate of VAT applied to the income was 17.5 per cent rather than the current 20 per cent. The takings and VAT are correctly recorded within the general ledger system the discrepancies only relate to the spreadsheet record.</p> <p>Reconciliation back to general ledger balances is not undertaken.</p> <p><u>Risk</u> If takings records are not accurately completed then it may prove difficult to reconcile with the general ledger. Furthermore, if takings are not reconciled with the general ledger then any miscoding or differences may remain undetected and uncorrected.</p>	<p>Bar takings spreadsheets should:-</p> <ol style="list-style-type: none"> a) Be fully and accurately completed. b) Reflect the current rate of VAT. c) Be reconciled back to relevant general ledger codings. 	<p>WCH Supervisor</p>
Management Response		Implementation Date
<p>Recommendation is Agreed Spreadsheets have been amended to reflect the current rate of VAT and the forms are now being completed accurately. Bar takings are now being reconciled back to general ledger codings.</p> <p>Management response: Shared Partnership Development Officer</p>		<p>Immediately</p>

3. Staffing for events

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Events are managed by an appropriate number of duty officers for the amount of attendees.</p> <p><u>Findings</u> A booking 26/10/2012 was attended by approximately 200 people including performers and caterers. The event was booked as one of the ten free bookings available to Wantage town council annually. It had been agreed the organisers could provide their own catering and bar staff albeit using the council's facilities and bar float. Only the one duty officer was in attendance to oversee the event and the building which remained open to the public. As the booking was not paid for, the council would incur additional cost in using casual duty officers to cover. The amount of duty officers required to manage this number of attendees could not be established during the time of the review.</p> <p>When the duty officer is the only officer on site when an event is held using bar services there is no independent check of the float balance and takings for the event. If the duty officer is the Supervisor Civic Hall then the same officer will also bank the income.</p> <p><u>Risk</u> If the council does not provide sufficient duty officers to manage events then it may not be fulfilling its requirements from a health and safety or insurance perspective.</p>	<p>Events should be managed by a sufficient number of duty officers.</p>	<p>WCH Supervisor</p>
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle The event highlighted in this section was an exception to the normal procedures and the issues raised were the result of a culmination of poor communication and misunderstanding. Many lessons have been learnt from this and we are</p>		<p>Immediately</p>

<p>confident that it will never happen again. We will ensure that all events are sufficiently staffed in future, using only our own employees and not agency staff.</p> <p>Management response: Shared Partnership Development Officer</p>	
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4. Access to café area

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The pin code access door to the café service area should be utilised.</p> <p><u>Findings</u> The door to the serving area of the café has a pin code lock but this is not used as it is felt to be onerous and time consuming. Officers need to access the room often as they are not permanently based in the café area due to covering the reception and other events. It is acknowledged that access could be gained over the serving counter top and takings are relatively low.</p> <p><u>Risk</u> If the pin code door access system is not in use then members of the public may gain access to the takings or be able to take or damage the café area equipment and stock.</p>	<p>The café area pin code access door should be utilised at all times to restrict public access.</p>	<p>WCH Supervisor</p>
Management Response		Implementation Date
<p>Recommendation is Agreed This recommendation has been minuted previously at team meetings and is included in the procedures action plan. Spot checks will be carried out to ensure staff are complying with this.</p> <p>Management response: Shared Partnership Development Officer</p>		<p>Immediately</p>

5. Stock control

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Accurate and up to date stock lists are maintained in accordance with agreed processes.</p> <p><u>Findings</u> Café stock, such as biscuits,</p>	<p>a) Procedures should be in place covering the stock control process for the bar and café which includes details of agreed</p>	<p>WCH Supervisor</p>

<p>cakes, tea or coffee are not included in the annual stock check submitted to finance.</p> <p>Procedures are lacking covering the stock control process for bar and café stock.</p> <p>There is a stock check undertaken for each year end but that for 31 March 2012 appeared to use some out of date prices for stock hence may be slightly understated. The stock check listing was not signed or dated by the person undertaking the check and had a header date of 31 March 2010 although it was as at 2012.</p> <p>The stock check listing is not clear as far as the price per unit on some items. For example, Cockburns Special Reserve Port is in a 75cl bottle so this is the stated unit, but the cost price is stated as £0.65 with 21 units held in stock giving a total of £13.65. As it is set out this suggests that the entire 75cl bottle costs £0.65 and there are 21 of them on site. What is listed is a cost per measure and estimate of measures but that is not clear from the form.</p> <p>Stock checks are not balanced back with the previous check with an account for additions and sales. The check is in effect a snapshot at that point in time and not used for any other purposes. As the sales records do not detail the item sold it would be difficult and potentially time consuming to achieve a formal stock control system.</p> <p><u>Risk</u> If stock is not controlled and balanced back to previous checks then any unexplained differences may go undetected and unaccounted for.</p>	<p>optimum stock levels, and the addition and removal of stock.</p> <p>b) The price per unit for stock record in the stock check should be the most recent paid for the items.</p> <p>c) Stock check listings should be signed by the officer undertaking the check and correctly dated.</p> <p>d) The units and price per unit should be clear on the stock check listings.</p> <p>e) All stock should be listed and valued including café items.</p> <p>f) A comparison of income from sales against stock added and held since the previous stock check should be undertaken.</p>	
Management Response	Implementation Date	
Recommendation is Agreed		

Stock lists for the cafe are in place. The review of the bar and café procedures will include stock control measures outlined in this recommendation.	31 March 2013
Management response: Shared Partnership Development Officer	

BOOKINGS

6. Bookings

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Bookings procedures should reflect current practices and be comprehensive.</p> <p><u>Findings</u> The bookings form refers to the Vale Halls Manager, which is a post that no longer exists.</p> <p>The debtors invoicing procedure does not reflect current practice:-</p> <ul style="list-style-type: none"> • It does not include the current practice of using a quote to obtain payment from regular hirers. • It refers to sending request for invoices to accounts payable rather than the Customer Services Assistant raising the invoice within Agresso. • It refers to the Vale Halls Manager post that no longer exists. <p>Whilst no issues were found regarding regular bookers who pay on a quote as opposed to an invoice, the procedure does not explain what course of action should be taken should a regular booker not pay on time.</p> <p>One of the five regular bookings reviewed did not have a signed annual booking form.</p> <p><u>Risk</u> If the bookings process is not covered by suitably detailed procedures then officers may unknowingly take inappropriate actions.</p>	<p>a) The bookings form should be updated to reflect current job titles.</p> <p>b) The invoicing for bookings procedure should reflect current practices, such as using a quote to obtain payments from regular bookers, and current job titles.</p> <p>c) The invoicing procedure should explain the course of action to be taken should a regular booker not pay following issue of a quote.</p> <p>d) Regular bookers should complete a signed booking form with their schedule of events each year.</p>	WCH Supervisor

Management Response	Implementation Date
<p>Recommendation is Agreed</p> <p>The updated booking form which reflects current job titles is held electronically. All previous versions have been deleted and all hard copies of the old forms destroyed and correct ones printed off.</p> <p>The procedures action plan includes devising a new invoicing procedure, which will highlight the need for all booking forms to be signed.</p> <p>Management response: Shared Partnership Development Officer</p>	<p>Immediately</p> <p>31 March 2013.</p>

7. Town council usage

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u></p> <p>Usage of the civic hall by Wantage town council should be regularly reviewed to ensure it is reasonable and an adequate contribution is made towards costs for the offices and for meetings. Furthermore the district council should not be liable for additional expenses when allowing the town council free use of WCH for events.</p> <p><u>Findings</u></p> <p>An agreement from 1977 allows for 50 town council meetings per year and an office space for the town council use. It is understood that there are plans for the agreement to be reviewed and discussed and these plans are supported by internal audit.</p> <p>Whilst the town council contributes towards heating and lighting for the office space they occupy this does not appear to compensate the council for the heating and lighting of the rooms for the 50 council meetings per year.</p> <p>An additional 10 usages are to be provided free of charge for events organised by the town council within the agreement and an undated memo that appears to be of some age sets out that each financial year there can be:-</p> <ul style="list-style-type: none"> • A craft show 	<p>a) The agreement for future use of WCH by the Town council should be regularly reviewed and updated.</p> <p>b) The contribution towards heating and lighting should be reviewed to consider if this should also include the use of the rooms for town council meetings in addition to the office space.</p> <p>c) The usage of WCH for the ten events should be reviewed with a view to obtaining agreement that any additional expenses incurred in hosting the event should be paid including a fee if external bar/catering staff are utilised.</p>	<p>Shared Partnership Development Officer</p>

<ul style="list-style-type: none"> • King Alfred's awards • A civic ball • A carol service • Six further events. <p>A letter from the town council regarding the additional events lists six between 2/6/2012 to 27/4/2013.</p> <p>When an event is booked under the ten 'free events' for Wantage town council any additional expenses incurred by WCH such as additional casual duty officers, casual bar staff or staff staying extra hours to tidy up after an event is not recompensed. Even if it is agreed that contractors can be used to provide the bar service and or catering for events duty officers are still required to manage the event and to tidy up afterwards.</p> <p><u>Risk</u> If usage of the offices and rooms by the town council is not regularly reviewed then the district council may be not just be providing the facility free of charge but at a loss.</p>		
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>Cabinet is aware of the issue and as part of the fit for the future action plan is to negotiate a new agreement with Wantage Town Council ready for April 2013. In addition, officers are in the process of negotiating costs for town council events where the district council incurs additional costs.</p> <p>Management response: Shared Partnership Development Officer</p>		31 March 2013

INCOME CASH AND BANKING

8. Credit/debit card payments

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Procedures for processing debit/credit cards should be comprehensive.</p> <p><u>Findings</u> The procedures for the processing of credit/debit card payments do</p>	<p>Procedures for processing debit/credit cards should be updated to include:-</p> <p>a) An explanation of how the code 10 call is used if there are suspicions</p>	WCH Supervisor

<p>not include:-</p> <ul style="list-style-type: none"> • An explanation of how the code 10 call is used if there are suspicions about the cardholder • Details such as there may be a need to obtain telephone authorisation • Refunds should only be made to the card that made the original payment • Details of how to use the credit/debit card terminal <p><u>Risk</u> If procedures do not cover all aspects of processing credit/debit card transactions then officers may unknowingly take inappropriate actions such as refunding to a card that did not make the original payment.</p>	<p>about the cardholder.</p> <p>b) Details such as there may be a need to obtain telephone authorisation.</p> <p>c) Refunds should only be made to the card that made the original payment.</p> <p>d) Details of how to use the credit/debit card terminal.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>The procedures for processing debit/credit cards are included in the procedures action plan to be reviewed and updated.</p> <p>Management response: Shared Partnership Development Officer</p>		31 March 2013

9. Banking

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Cover should be available to carry out banking functions should a key member of staff be absent.</p> <p><u>Findings</u> The Supervisor Civic Hall (SCH) is the only officer who carries out banking for WCH payments. If the SCH is absent there is no one else trained to cover.</p> <p><u>Risk</u> If money is not banked when the SCH is absent then the amount held may exceed the amount covered by insurance.</p>	Additional cover should be provided to ensure banking is carried out should the SCH be absent.	WCH Supervisor
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>Arrangements are being made to complete the banking in</p>		31 March 2013

<p>Wantage (at the Post Office). Training will be given to both duty officers to enable the banking to take place in the supervisor's absence.</p> <p>Management response: Shared Partnership Development Officer</p>	
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10. Banking documents

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All banking documents should be fully completed and reconciled to all relevant sources.</p> <p><u>Findings</u> A weekly summary sheet of officer takings is prepared for cash/cheques and for credit/debit card transactions. This states banking is 'for the week ending' but this is not always the same day or even weekly so it is recommended that the exact income period from and to is stated.</p> <p>Whilst the amounts banked were correct, the summary does not show the total on the daily sheets compared with the total banked with an explanation of any variances. Seven cheques were received totalling £2478.85 but only 6 were banked totalling £2436.85. A cheque for £42 was not banked as it was made to the wrong payee. This is not explained on the banking sheet.</p> <p>A list of debit/card transactions is used to advise the finance team of the amount of card receipts to be coded to the civic hall within the general ledger. This does not use the consecutive card transaction reference to ensure all income the council receives is correctly allocated. From review of one banking period two payments received for £40 and £14 may not have been allocated to the civic hall.</p> <p>Officers record income on daily takings sheets and a total on a</p>	<p>The current banking documentation should:-</p> <ol style="list-style-type: none"> State on the banking summary the exact dates of income being banked. Reconcile the summary with record values from daily sheets and explain any variance with amounts actually banked. List debit/credit card receipts by transaction reference to ensure none are omitted from the coding sheet passed to finance. <p>Or</p> <ol style="list-style-type: none"> Consideration should be given replacing the current income recording method with a simpler transaction based listing. 	<p>WCH Supervisor</p>

<p>weekly income sheet. There appears to be some duplications and a more robust, simpler method should be considered.</p> <p><u>Risk</u> If banking documents are not fully completed to record and explain any variances then it may prove difficult to explain actions should queries arise.</p>		
Management Response		Implementation Date
<p>Recommendation is Agreed Banking summary sheet has been updated to show dates of income being banked. A summary sheet has been created to record the transaction reference numbers for credit and debit card payments. The overall procedure for taking and banking money is being reviewed as part of the procedures review detailed in recommendation 1 above. This process will include reconciling the daily and weekly takings with the amounts banked.</p> <p>Management response: Shared Partnership Development Officer</p>		<p>Immediately</p> <p>Immediately</p> <p>31 March 2013</p>

11. Till balancing

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Till takings should be formally balanced and recorded.</p> <p><u>Findings</u> Only a till roll from the coffee shop takings is retained as part of the banking process with no formal record of cashing up which shows a check on the cash in the till less the £25 float and a match with the till reading print.</p> <p><u>Risk</u> If till balancing is not fully undertaken and recorded then any discrepancies may remain undetected.</p>	<p>A formal reconciliation of the café till takings should be undertaken and recorded showing the amount of cash in the till less the float and compared to the amount on the till print out.</p>	<p>WCH Supervisor</p>
Management Response		Implementation Date
<p>Recommendation is Agreed A weekly cashing up sheet that addresses this recommendation has now been adopted for the café.</p> <p>Management response: Shared Partnership Development</p>		<p>Immediately</p>

Officer	
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12. Petty cash

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Petty cash arrangements should fit the requirements at the civic hall.</p> <p><u>Findings</u> The operational procedure for petty cash refers to the Shared Partnership Development Officer (SPDO) or 'Audit Division' approving purchases exceeding £20. This does not comply with financial procedure rules which require section 151 officer approval.</p> <p>As it is not always easy to predict what bar supplies will be most popular at events and in order to avoid overstocking, it is occasionally necessary to make last minute purchases of bar stock which may exceed £20.</p> <p>There is only one key for the petty cash tin so if this was to go missing or the SCH were unexpectedly unavailable then petty cash would not be accessible.</p> <p><u>Risk</u> If approval for petty cash purchases over £20 is not sought from the section 151 officer or otherwise agreed then the process will not comply with the council's financial procedure rules.</p>	<p>a) Agreement should be sought that purchases from petty cash to provide adequate bar stocks for events in exceptional circumstances can be in excess of £20.</p> <p>b) Petty cash purchases exceeding £20 other than in a) above should be approved beforehand by the section 151 officer.</p> <p>c) An additional petty cash tin key is obtained and retained by an agreed officer for back up purposes.</p>	WCH Supervisor
Management Response	Implementation Date	
<p>Recommendation is Agreed</p> <p>Account has been set up with Bookers to avoid the need to use petty cash to purchase additional items for the café or bar.</p> <p>Staff have been reminded of the council's procedures for use of petty cash and the £20 limit.</p> <p>A procedure will be added to the operational procedures manual on site as part of the procedures review detailed in recommendation 1 above.</p> <p>An additional key to the petty cash tin will be obtained and kept by an agreed officer (as yet to be confirmed).</p>	<p>Immediately</p> <p>Immediately</p> <p>31 March 2013</p> <p>31 March 2013</p>	

Management response: Shared Partnership Development Officer	
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RECONCILIATION

13. Reconciliation

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> There is a regular reconciliation of income and expenditure with general ledger codings.</p> <p><u>Findings</u> Reconciliations of income and expenditure with general ledger codings are not undertaken.</p> <p>General income records for April, May and June 2012 show £17,298.51 income but the general ledger codings for WCH in accounts 9311, 9308, 9202 and 9310 during that period total £16,029.33.</p> <p><u>Risk</u> If reconciliations are not undertaken then items which may be miscoded within the general ledger may not be identified and corrected.</p>	There should be a regular reconciliation of income and expenditure with general ledger codings.	WCH Supervisor
Management Response	Implementation Date	
<p>Recommendation is Agreed A procedure for regular reconciliations will be introduced as part of the procedures review detailed in recommendation 1 above.</p> <p>Management response: Shared Partnership Development Officer</p>	31 March 2013	

SAFETY AND SECURITY

14. Fire evacuation drill

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All persons present at the civic hall during an evacuation should take part in the drill and any problems identified should be addressed.</p> <p><u>Findings</u> The evacuation drill at the civic hall 4/12/12 records that the</p>	Any problems identified on the fire evacuation drills should be addressed and details recorded. This includes advising Town Council and other regular users that they should take	WCH Supervisor

<p>Wantage Town Council staff who use offices at WCH did not respond to the drill but no action to address this was noted.</p> <p><u>Risk</u> If regular users of WCH do not take part in the evacuation drills then any issue with their safe evacuation of the building may not be identified.</p>	part in any evacuation drill.	
Management Response		Implementation Date
<p>Recommendation is Agreed Results of all fire evacuation drills and any problems identified will now be recorded centrally and emailed to the Facilities Team to be actioned. Tenants have been informed of the fire evacuation procedures and the need to take part in any evacuation drill. We are seeking the advice of the health and safety advisor and the property team to check if failure to comply with health and safety instructions amounts to a breach of their tenancy agreement.</p> <p>Management response: Shared Partnership Development Officer</p>		31 March 2013

15. Risk assessments

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Risk assessments are carried out for all relevant processes.</p> <p><u>Findings</u> It is understood that not all areas have been risk assessed, for example for the café service area.</p> <p><u>Risk</u> If risk assessments are not undertaken and documented then any areas of risk, such as using the new coffee machine, may remain unidentified and unreported.</p>	Risk assessments are carried out for all relevant processes including the new café service.	WCH Supervisor
Management Response		Implementation Date
<p>Recommendation is Agreed Existing risk assessments are being reviewed and any gaps identified, and a review will be undertaken on an annual basis. An action plan is being drawn up to monitor this process and to raise awareness amongst staff when any new risks are identified. Hard copies will be kept in the Civic Hall office for staff to refer to in addition to being saved centrally.</p>		31 March 2013

Management response: Shared Partnership Development Officer	
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16. Insurance

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Insurance arrangements are identified and reviewed to ensure officers are aware and current practices meet insurance requirements.</p> <p><u>Findings</u> Details of insurance cover arrangements and any special requirements in order to comply with insurance cover were not known by WCH staff at the time of review. Internal audit were unable to obtain full details during the review as the insurance cover appears to be fragmented over different policies.</p> <p><u>Risk</u> If officers are unaware of specific insurance requirements then they may be unknowingly acting in a way that is not covered by the council's insurance cover or which may make the cover void.</p>	<p>WCH officers should obtain details of insurance cover and conditions from the finance team. This should include any specific arrangements for:-</p> <ol style="list-style-type: none"> Movement of cash and cheques from WCH to the cash office at Abbey House. Any particular health and safety requirements, for example when the church use the facilities without officers present. Security of WCH including the location of keys. 	WCH Supervisor
Management Response	Implementation Date	
<p>Recommendation is Agreed Details of the insurance cover and conditions have been obtained from the finance team. We are currently checking the insurance details with regards to the movement of cash, although this will be reduced once the banking is taking place more frequently in Wantage. Insurance details were checked regarding the use by the church before the arrangement to allow them sole access was agreed. All keys are signed for when issued to members of staff and spare ones kept locked in a secure place.</p> <p>Management response: Shared Partnership Development Officer</p>	<p>Immediately 31 March 2013</p>	

17. Lone working

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The lone working system should</p>	<p>a) The Forestcare system should be</p>	WCH Supervisor

<p>be appropriately documented and tested to ensure it is functional.</p> <p><u>Findings</u> The Forestcare lone working system is used by WCH staff. The system is meant to generate an automated call if the officer has not phoned at an agreed time and if that is not responded to there should be follow up action with listed key contacts for the officer. A recent event occurred when an officer did not phone at the agreed time but no follow up action was invoked through the Forestcare system and it is understood this is being queried with the service providers.</p> <p>It is not clear what the escalation process would be should an incident occur and access is needed to the building for a lone worker. At the start of the review all WCH master keys had been allocated to officers with spares on order. Usually a spare master key is kept by the facilities team. There could be significant delay in contacting an officer who would need to access the Vale offices to obtain the spare key out of hours.</p> <p><u>Risk</u> If the lone working system is not functioning properly then officers are exposed to greater risk to their health and safety.</p>	<p>tested to ensure that appropriate action is taken should officers not phone in at agreed times. Failures should be logged and taken up with the service providers and the service regularly reviewed to ensure it is functioning correctly.</p> <p>b) The actions to be taken should an incident occur should be discussed and documented so that all officers are happy with the arrangements and contact numbers are known.</p> <p>c) The location of a spare master key should be reviewed and a suitable location/officer to hold the spare agreed.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed in Principle</p> <p>There have been recent concerns raised about the Forestcare system that have led to a lack of confidence amongst staff. We are reviewing the use of Forestcare with HR and will be implementing a more workable solution. This will include having local Wantage based contacts and a master key held in Wantage. It is also our intention to reduce the instances of lone working wherever resources allow and so remove the need to use Forestcare.</p> <p>Management response: Shared Partnership Development Officer</p>		<p>31 March 2013</p>

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> The council should have ready to hand a listing of all keys and who they are held by. Any surrender of keys should be recorded formally.</p> <p><u>Findings</u> As officers receive keys for WCH they sign for them together with a declaration covering their use. A recently surrendered master key was not signed back in and dated but instead the new holder of the key signed for it on the original key holders form. It is not easy to establish how many keys exist and who holds them without sorting through the sheets.</p> <p>Six new keys had been obtained and whilst the invoice was retained there was no record of where these keys were held.</p> <p><u>Risk</u> If the council cannot identify who holds master keys for the civic hall and where spares are held then they may not be complying with insurance requirements.</p>	<p>A register of keys should be produced and updated so it can quickly be ascertained who holds them and where any spares are located.</p>	<p>WCH Supervisor</p>
Management Response		Implementation Date
<p>Recommendation is Agreed A complete list of key holders has been produced and all keys signed for. Any additional spare keys are kept in the safe.</p> <p>Management response: Shared Partnership Development Officer</p>		<p>Immediately</p>

19. Inventory

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> An inventory should be in place which is regularly checked and records the purchase date and cost of items together with any changes.</p> <p><u>Findings</u> An inventory was last completed 17/7/2012 and whilst comprehensive it did not appear to</p>	<p>a) Inventory checks should be referenced to previous checks to identify and investigate any discrepancies.</p> <p>b) Any disposals and movements of equipments should be suitable</p>	<p>WCH Supervisor</p>

<p>have been matched with the previous check to identify any discrepancies.</p> <p>A record of a temporary loan of chairs was held in the inventory file but the date the items were returned was not recorded.</p> <p><u>Risk</u> If the checks are not undertaken to identify any discrepancies in equipment held then any losses may remain undetected.</p>	<p>recorded and signed in or out of the inventory.</p>	
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>A new inventory referencing the previous hand written records is being compiled and records for any items to be disposed of, or moved, are being completed. A date is being arranged for the return of the chairs that were lent on a long term loan to the leisure centre.</p> <p>Management response: Shared Partnership Development Officer</p>		<p>31 March 2013</p>

MANAGEMENT INFORMATION

20. Complaints process

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> WCH complaints process should support the council's formal complaints procedure.</p> <p><u>Findings</u> The operational procedure for comments and complaints from WCH users does not refer to or follow the council's formal complaints procedure.</p> <p><u>Risk</u> If the procedures at WCH do not support the council's formal complaints procedure then the council may not be seen to be acting correctly in managing complaints.</p>	<p>WCH comments and complaints procedure should be reviewed and updated to ensure it refers to and reflects the council's formal complaints procedure.</p>	<p>WCH Supervisor</p>
Management Response		Implementation Date
<p>Recommendation is Agreed</p> <p>The existing complaints procedure is being rewritten to align with the council's complaints procedure. All staff will then be</p>		<p>31 March 2013</p>

briefed on this procedure.

Management response: Shared Partnership Development
Officer

Background

The table below lists systemic control weaknesses which have been identified at either or both councils (SODC and VWHDC), from the internal audit reports issued in final since 1 April 2010. The table will be reviewed and updated by the audit manager, head of finance and the strategic director (section 151 officer) on an ongoing basis, and will be used to inform the annual audit plan and the scope of individual reviews.

Definition

A systemic control weakness is defined for the purpose of this table, as a significant control weakness which has been identified across a number of operational areas.

Methodology

Every recommendation made by internal audit has been logged within a recommendation register according to an Institute of Internal Auditors control type definition, and a point system has been used - 1 point for a low risk recommendation, 2 points for a medium risk recommendation and 3 points for a high risk recommendation. The points have been totalled against each control type, and the top 10% control weaknesses have been listed as a systemic control weakness according to their recommendation

Systemic control weaknesses as at 7 March 2013

No	Systemic control weakness	Council	Rec point total	List Entry Date	Movement Since Last Committee
1	Policies, procedures and guidance notes are not comprehensive, up to date and are not owned by a responsible officer.	Joint	183	01/08/11	Decrease (4)
2	There should be regular reconciliation of information/data/items.	Joint	42	01/08/11	Decrease (4)
3	Documents should be filed appropriately.	Joint	41	21/06/12	Decrease (1)
4	All officers/members should be trained in their role and corporate responsibilities.	Joint	38	30/08/12	Decrease (51)
5	Comprehensive and accurate management information should be available.	Joint	37	04/01/12	Decrease (9)

Audit and Governance Committee Report



20 March 2013

Report of: **Audit Manager**

Author: **Adrianna Partridge**

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Cabinet member responsible: **Councillor Matthew Barber**

Telephone: **07816 481452**

E-mail: **matthew.barber@whitehorsedc.gov.uk**

To: Audit and Governance Committee

DATE: 20 March 2013

Wards Affected
All

Internal audit management report quarter four 2012/2013

Recommendation

That members note the content of the report

Purpose of report

1. The purpose of this report is:
 - to report on management issues within internal audit;
 - to summarise the progress against the 2012/2013 audit plan up to 7 March 2013; and
 - to summarise the priorities for quarter one 2013/2014.
2. The contact officer for this report is Adrianna Partridge, Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823544 and (VWHDC) 01235 547615.

Strategic objectives

3. Managing our business effectively.

Background

4. The CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 states that the head of internal audit should prepare a risk-based audit plan, which should outline the assignments to be carried out and the broad resources required to deliver the plan.
5. The CIPFA Code also states that the audit committee should approve the annual internal audit plan and monitor progress against the plan. This Committee approved the annual internal audit plan on 21 March 2012.

Management issues

6. The audit manager is currently considering options for providing adequate cover during her period of maternity leave. She will be discussing these with the head of finance and the s151 officer, with a view to the agreed arrangements being in place from July 2013.

Progress against the 2012/2013 audit plan

7. Progress against the approved audit plan has been calculated for the quarter and year to date and is summarised in **appendix 1** attached.
8. Performance figures are as follows:

	Target	YTD	Q1 12/13	Q2 12/13	Q3 12/13	Q4 12/13
Chargeable (identifiable client and/or specific IA deliverable)	70%	70%	71.5%	71%	68.5%	68.5%
Non-Chargeable (corporate, not IA deliverable)	8%	5.5%	5%	4.5%	4.5%	7.5%
Lost (i.e. leave, study, sickness)	22%	24.5%	23.5	24.5%	27%	24%

9. As at 7 March 2013 the status of audit work against the 2012/2013 audit plan is as follows:

Planned

Strategic, operational and financial assurance work known and approved by the Audit and Governance Committee.

2012/2013	Planned	Complete	Draft	In progress	To commence
PLANNED	28	21	0	5	2
Joint	25	18	0	5	2
SODC	2	2	0	0	0
VWHDC	1	1	0	0	0

Adhoc

Unplanned project work based on agreed terms of reference with the audit manager (i.e. implementation of new systems) and responsive work issued and agreed by the section 151 officer, members or senior management team (i.e. investigations).

2012/2013	Requested	Complete	Draft	In progress	To commence
ADHOC	4	3	0	0	1
Joint	1	1	0	0	0
SODC	1	1	0	0	0
VWHDC	2	1	0	0	1

Follow up

Work undertaken to ensure that agreed recommendations have been implemented. The number of follow-up audits is a rolling number, all internal audit reports are followed up after six months.

2012/2013	Requested	Complete	Draft	In progress	To commence
FOLLOW-UP	36	34	0	0	2
SODC	16	15	0	0	1
VWHDC	20	19	0	0	1

Priorities for 2013/2014 quarter one (April 2013 – June 2013)

10. The priority for quarter one is to:

- complete 2012/2013 planned audit work and commence 2013/2014 planned audit work.
- ensure all internal audit procedures and monitoring templates are up to date; and
- complete effective handover to interim management cover.

11. Remaining 2012/2013 planned audit work can be reviewed in **appendix 2**.

Financial implications

12. There are no financial implications attached to this report.

Legal implications

13. None.

Risk implications

14. Identification of risk is an integral part of all audits.

ADRIANNA PARTRIDGE
AUDIT MANAGER

System Name	Status	Audit Allocation	Total Days Used	Exception Issues	Audit Opinion	No. of Recs	High	No. Agreed	Medium	No. Agreed	Low	No. Agreed	Total Not Agreed
As at 7 March 2013													
JOINT													
Payroll (23 priority score)	Final Issued	32											
SODC			22.5		Limited	16	0	0	10	10	6	6	0
VWHDC			22.5		Limited	15	0	0	9	9	6	6	0
Insurance (22)	Final Issued	20											
SODC			10.5		Full	2	0	0	0	0	2	2	0
VWHDC			10.5		Satisfactory	6	1	1	3	3	2	2	0
Seasonal Leisure Activities (21)	Final Issued	12											
SODC			6.5		Full	2	0	0	0	0	2	2	0
VWHDC			6.5		Full	2	0	0	0	0	2	2	0
Housing & Council Tax Benefits (20)	In progress	30											
SODC			7.5										
VWHDC			7.5										
NNDR (20)	Final Issued	24											
SODC			12.0		Satisfactory	6	0	0	2	2	4	4	0
VWHDC			11.5		Satisfactory	6	0	0	2	2	4	4	0
Benefit Fraud (20)	Final Issued	20											
SODC			7.5		Full	3	0	0	1	1	2	2	0
VWHDC			7.5		Full	3	0	0	1	1	2	2	0
Council Tax (19)	In progress	24											
SODC			9.0										
VWHDC			9.0										
Creditor Payments (19)	Final Issued	20											
SODC			10.5		Satisfactory	6	0	0	1	1	5	5	0
VWHDC			10.5		Satisfactory	6	0	0	1	1	5	5	0
General Ledger (19)	Final Issued	20											
SODC			10.0		Satisfactory	13	1	0	1	1	11	10	2
VWHDC			10.0		Satisfactory	12	1	0	0	0	11	10	2
Budgetary Control (18)	TOR sent	16											
SODC			0.5										
VWHDC			0.5										
Sundry Debtors (18)	Final Issued	20											
SODC			10.5		Satisfactory	4	0	0	1	1	3	3	0
VWHDC			10.0		Satisfactory	4	0	0	1	1	3	3	0

Data Protection (18) SODC VWHDC	Final Issued	10	7.5 7.5		Satisfactory Satisfactory	6 6	0 0	0 0	1 1	1 1	5 5	4 4	1 1
Pro-Active Anti-Fraud Review (17) SODC VWHDC	In progress	16	3.0 3.0										
Receipt of Income Arrangements (17) SODC VWHDC	In progress	20	5.0 5.0										
Risk Management (17) SODC VWHDC	Final Issued	14	7.0 7.0		Satisfactory Satisfactory	8 9	0 0	0 0	5 5	3 3	3 4	1 2	4 4
Mobile Home Parks (16) SODC VWHDC	Final Issued	24	10.0 9.0		Satisfactory Satisfactory	9 11	0 0	0 0	3 5	3 5	6 6	6 6	0 0
Emergency Planning (16) SODC VWHDC	Final Issued	10	5.5 5.5		Satisfactory Satisfactory	4 4	0 0	0 0	1 1	1 1	3 3	3 3	0 0
Treasury Management (16) SODC VWHDC	Final Issued	14	6.5 6.5		Full Full	3 2	0 0	0 0	0 0	0 0	3 2	3 2	0 0
Capital Management and Accounting (15) SODC VWHDC	In progress	14	1.0 1.0										
Housing Allocations (15) SODC VWHDC	Final Issued	20	7.0 7.0		Full Full	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0
Temporary Accommodation (VWHDC rent accounting) (15) SODC VWHDC	Carry forward 13/14	24	0.5 0.5	Postponement requested by Head of Housing, approved by S151 officer.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Planning Control (14) SODC VWHDC	TOR sent	20	0.0 0.0										
Discretionary Grants (13) SODC VWHDC	Final Issued	16	11.0 11.0		Satisfactory Limited	5 8	0 3	0 2	0 2	0 2	5 3	4 3	1 1
Information Governance (12) SODC VWHDC	Final Issued	20	4.5 4.0		Satisfactory Satisfactory	6 6	0 0	0 0	1 1	0 0	5 5	3 3	3 3

Freedom of Information (11)	Final Issued	16												
SODC			8.0		Satisfactory	7	0	0	2	2	5	4	1	
VWHDC			8.0		Satisfactory	7	0	0	2	2	5	4	1	
Carbon Management Programme (None)	Final Issued	20												
SODC			13.0		Satisfactory	7	0	0	2	2	5	5	0	
VWHDC			13.5		Satisfactory	7	0	0	2	2	5	5	0	
SODC														
Cornerstone (15)	Final Issued	10	9.0		Satisfactory	6	0	0	0	0	6	6	0	
Leader Project Grant Verification (9)	Final Issued	4	1.5		Full	0	0	0	0	0	0	0	0	
VWHDC														
Wantage Civic Hall (17)	Final Issued	10	15.0		Limited	20	7	7	12	12	1	1	0	
TOTALS	-	510	407.5		Full									
					Satisfactory	10								
					Limited	4								
					Nil	0								
						241	13	10	79	73	149	134	24	

FOLLOW UP AUDITS 2011/2012

System Name	Total Days Used	Original Audit Opinion Issued	Total No. of Recs Agreed	Implemented	Partly Implemented	Not Implemented	Ongoing
SODC							
Planning Fees	0.5	Full	3	1	0	2	0
Licencing	0.5	Satisfactory	9	2	0	0	7
Waste Management and Recycling	0.5	Limited	13	6	3	4	0
Establishment Listing	0.5	Limited	3	3	0	0	0
Brown Bins	0.5	Satisfactory	7	4	0	3	0
Building Control	0.5	Satisfactory	3	0	1	2	0
Equalities and Diversity	0.5	Satisfactory	8	2	2	0	4
Travel and Subsistence	0.5	Satisfactory	13	7	2	4	0
HR Pro and Annual Leave Entitlement	0.5	Limited	6	5	0	1	0
Verification of Performance Indicators	0.5	Satisfactory	6	4	0	2	0
Election Payments	0.5	Satisfactory	6	1	0	2	3
VWHDC							
Cash Office	0.5	Limited	13	12	1	0	0
Planning Fees	0.5	Full	2	1	0	1	0
ICT	0.5	Limited	6	2	1	3	0
Licencing	0.5	Satisfactory	8	2	0	0	6
Waste Management and Recycling	0.5	Limited	14	5	3	6	0
Establishment Listing	0.5	Limited	3	3	0	0	0
Brown Bins	0.5	Satisfactory	5	2	0	3	0
Building Control	0.5	Satisfactory	3	0	1	2	0
Equalities and Diversity	0.5	Satisfactory	9	3	2	0	4
Travel and Subsistence	0.5	Satisfactory	14	9	2	3	0
HR Pro and Annual Leave Entitlement	0.5	Limited	5	4	0	1	0
Verification of Performance Indicators	0.5	Satisfactory	7	5	0	2	0
Election Payments	0.5	Satisfactory	6	1	0	2	3
TOTALS							

FOLLOW UP AUDITS 2012/2013

System Name	Total Days Used	Original Audit Opinion Issued	Total No. of Recs Agreed	Implemented	Partly Implemented	Not Implemented	Ongoing
SODC							
Benefit Fraud	0.5	Full	3	2	0	0	1
Emergency Planning	0.5	Satisfactory	4	2	0	2	0
Risk Management	0.5	Satisfactory	4	2	0	1	1
Freedom of Information	0.5	Satisfactory	5	5	0	0	0
VWHDC							
ICT	0.5	Limited	4	3	1	0	0
Grounds Maintenance	0.5	Satisfactory	8	4	0	4	0
Benefit Fraud	0.5	Full	3	2	0	0	1
Emergency Planning	0.5	Satisfactory	4	2	0	2	0
Risk Management	0.5	Satisfactory	5	3	0	1	1
Freedom of Information	0.5	Satisfactory	5	5	0	0	0
TOTALS							

UNPLANNED WORK 2012/2013

CONSULTANCY

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
Spot check of internet usage	Completed	2 days	0.5 days	Section 151 Officer
SODC				
VWHDC				
HR Pro	Completed	2 days	3 days	ACGC Chairman

CONTINGENCY

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
SODC				
Planning policy	Completed	15 days	17.5 days	Strategic Director - Anna Robinson
VWHDC				
Planning - Development Control	To commence	TBC	TBC	Chief Executive

SYSTEM DEVELOPMENT

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
SODC				
VWHDC				

Audit and Governance Committee Report



20 March 2012

Report of: **Audit Manager**

Author: **Adrianna Partridge**

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E-mail: **adrianna.partridge@southandvale.gov.uk**

Executive member responsible: **Councillor Matthew Barber**

Telephone: **07816 481452**

E-mail: **matthew.barber@whitehorsedc.gov.uk**

To: Audit and Governance Committee

DATE: 20 March 2013

Wards Affected
All

Internal audit annual plan 2013/14

Recommendation

That members approve the internal audit annual plan 2013/2014

Purpose of Report

1. The purpose of this report is:
 - to explain the process for setting the internal audit plan and for calculating the resources available; and
 - to set out the proposed internal audit annual plan for 2013/2014.
2. The contact officer for this report is Adrianna Partridge, Audit Manager for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823544 and (VWHDC) 01235 547615.

Strategic Objectives

3. Managing our business effectively.

Background

4. The CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006 states that the head of internal audit should prepare a risk-based audit plan, which should outline the assignments to be carried out and the broad resources required to deliver the plan.
5. The CIPFA Code also states that the audit committee should approve the annual internal audit plan and monitor progress against the plan.

Audit Allocation

6. The resources available to deliver the internal audit annual plan 2013/2014 are arrived at by starting with the number of days available for all posts within the team. This is then reduced by the estimated numbers of days lost through annual leave, bank holidays and sickness absence. The remaining days available are then allocated between the various elements of work which are expected to be carried out in the year in order to deliver an effective internal audit service.
7. The calculation of days available and the allocation of days between different categories of work is attached as **appendix 1**. The different categories of work are classed as either chargeable or non-chargeable. Chargeable means the work has an identifiable client or is directly linked to the delivery of internal audit services. Non-chargeable means any other work which is not directly linked to the delivery of internal audit services (for example: admin, corporate responsibilities, training, staff briefings).

Schedule of Auditable Activity (SAA)

8. The SAA attached as **appendix 2** lists every audit which has been completed at both or either South Oxfordshire and the Vale of White Horse District Councils since 2000. Each audit has been rated by the strategic director (section 151 officer), head of finance and audit manager on a number of key factors to give a priority score, and this assists in the assessment of what should be placed in the annual audit plan. Although scoring is subjective and no two people would score alike the process attempts to introduce a degree of objectivity into the assessment process. The key at the bottom of the spreadsheet explains the scoring and provides risk definitions.
9. The SAA is only one contributing factor to determining the annual audit plan, as external audit, the section 151 officer and internal audit will also make an assessment on the level of risk exposure and audit coverage across the council.

Internal Audit Annual Plan 2013/2014

10. The internal audit annual plan is designed and constructed in such a way to enable the audit manager to form an opinion on the adequacy of the council's control environment. This opinion forms an important independent view of the council's operations that feeds into and supports the council's annual governance statement. In accordance with shared working arrangements agreed by both councils, the internal audit annual plan tries to ensure that each council will receive an equal allocation of the resource and audit service.

11. The proposed internal audit plan 2013/2014 is attached as **appendix 3**. Any amendments to the annual plan throughout the year will be submitted to the committee for approval.
12. The plan is essentially risk based, in that each auditable area is considered according to the level of risk exposure in terms of the councils' ability to achieve their corporate objectives. The plan is based on the schedule of auditable activity and external and internal audit's own assessment on levels of risk exposure and coverage of auditable areas in recent years. The audit manager has also consulted the committee chairman, chief executive, strategic directors, heads of service, service managers and external audit to ensure that the plan adequately reflects salient issues.
13. It should be noted that not all aspects within a specific area are necessarily examined at each audit. Actual coverage is decided at the time of the audit in consultation with senior managers. This ensures that current issues together with recent coverage by internal audit or external bodies determine the scope of the work.
14. External audit looks to place reliance upon internal audit's work to limit its own coverage. This arrangement is dependent upon the significant financial systems being examined each year (for example, council tax, payroll) to provide assurance as to their continuing controlled operation. To avoid any unnecessary duplication of effort between the two parties, internal audit and external audit have an established on-going communication mechanism to ensure that respective plans and scope of reviews are shared.

Financial Implications

15. There are no financial implications attached to this report.

Legal Implications

16. None

Risk Implications

17. Identification of risk is an integral part of all audits.

ADRIANNA PARTRIDGE
AUDIT MANAGER

DESCRIPTION (Analysis of Description Overleaf)	DAYS 2012/2013	DAYS 2013/2014
Total Days Available for Internal Audit Team	1040	951
52x5x3 – Auditor x 3FTE		780
15x4 – Audit Manager 0.8FTE		60
37X3 – Audit Manager 0.6FTE (Maternity cover)		111
Total Lost Days for Internal Audit Team	228	181
Annual Leave Entitlement	160	121
Bank Holiday and Christmas Closure	48	40
Sick Leave	20	20
Total Non-Chargeable Days for Internal Audit Team	80	74
Training and Development	20	16
Admin/Corporate Issues	44	40
Team Meetings	16	18
Total Chargeable Days for Internal Audit Team	732	696
Audit Management	76	70
Adhoc Audit Advice (3 days each service area)	25	21
Consultancy/System Development (4 days each service area)	49	28
Contingency (Investigations) (5 days each service area)	42	35
Follow Up Work 2012/2013	12	7
Audit Plan 2013/2014	520	515
Follow Up Work 2013/2014	8	8
Town and Parish Councils	N/A	12
Total Lost + Non-Chargeable and Chargeable Days	1040	951
Proportion of Chargeable Days	70%	73%
Proportion of Non-Chargeable Days	8%	8%
Proportion of Lost Days	22%	19%

Analysis of Description

Lost days

- Annual leave entitlement and any carry forward from previous year.
- Bank holiday and Christmas closure (10 days per person for 13/14)
- Sick leave (estimate of 5 days per person)

Training and development

- In-house corporate training (IT, new systems, HR training programme)
- External role related training (management, fraud, audit)
- Study for professional qualifications

Administration and corporate issues

- Appraisals
- Progress and 1-2-1 meetings
- Filing
- Timekeeping (timesheets, time allocation, individual work plans)
- Staff briefings
- E-mails/correspondence
- Recruitment

Team meetings

- Internal audit, finance managers, operational managers group, directorate, portfolio.

Audit management

- Preparation and attendance at committee
- Revision of audit procedures
- Quality assurance
- Liaising with external audit
- Raising the profile of internal audit
- Attendance at corporate internal and external networking meetings
- Internal audit presence on the website and intranet at both sites
- Preparation and monitoring of the audit plan
- Budgetary control

Adhoc audit advice

- Informal responsive advice to queries from staff members

Consultancy/system development

- Formal project work based on agreed terms of reference (i.e. project member for implementation of new systems, system mapping, delivery of training to members and staff).

Contingency/investigations

- Responsive work issued and agreed by the S151 officer, audit and corporate governance committees, members or management team.

Town and parish councils

- Provision of internal audit services to town and parish councils.

Schedule of Auditable Activity (updated 21 January 2013)

SERVICE AREA	SERVICE TEAM	AUDIT AREA	SODC/VVHDC/JOINT	LAST PRIORITY RATING	SODC AUDIT ALLOCATION	VVHDC AUDIT ALLOCATION	LAST REVIEWED	REVIEW SCORE	LAST AUDIT RATING	RATING SCORE	FINANCIAL RISK X 2	FRAUD RISK X 2	REPUTATIONAL RISK	LEGAL RISK	CORPORATE RISK	OFFICER REQUEST	PRIORITY SCORE	AUDIT PLANNING NOTES
Finance	Payroll	Payroll	Joint	23	16	16	2012/2013	0	Limited	2	3	3	3	3	3	0	23	
HR, IT & Customer Services	Performance & Projects	VFM in Procurement	VVHDC	Medium	0	6	2009/2010	3	Limited	2	3	3	3	1	2	0	23	Individual reviews completed of the groupwise/exchange and ocella/uniform procurement. AM does not consider this area needs reviewing in 2013/2014.
HR, IT & Customer Services	Performance & Projects	VFM in Procurement	SODC	Medium	6	0	2009/2010	3	Satisfactory	1	3	3	3	1	2	0	22	Individual reviews completed of the groupwise/exchange and ocella/uniform procurement. AM does not consider this area needs reviewing in 2013/2014.
HR, IT & Customer Services	ICT	Disaster Recovery	SODC	Medium	10	0	2008/2009	4	Limited	2	3	1	3	1	3	0	21	
Planning	Development	S106 Commuted Sums / CIL	Joint	Medium	6	6	2009/2010	3	Limited	2	3	2	3	2	1	0	21	
Finance	Revenue & Benefits	Housing & Council Tax Benefits	Joint	20	15	15	2011/2012	0	Full	0	3	3	3	2	3	0	20	
Finance	Revenue & Benefits	NNDR	Joint	20	10	10	2011/2012	0	Satisfactory	1	3	3	3	2	2	0	20	
Legal & Democratic Services	Elections, Licensing & Local Land Charges	Elections	SODC	N/A	8	0	2007/2008	5	Limited	2	1	2	3	2	2	0	20	This area has been subject to external review and individual reports to ACGC. AM does not consider this area needs reviewing in 2013/2014.
Corporate Audits		Pro-Active Anti-Fraud Review	Joint	17	10	10	2011/2012	0	Limited	2	3	3	2	1	2	0	19	
Economy, Leisure & Property	Technical	Car Parks	Joint	Medium	10	10	2011/2012	1	Satisfactory	1	3	3	3	1	1	0	19	This area was reviewed last year and there were no significant concerns. AM does not consider this area needs reviewing in 2013/2014.
Economy, Leisure & Property	Leisure	Leisure Centres	Joint	Medium	15	15	2010/2011	2	Limited	2	3	1	3	2	2	0	19	New contracts will commence Sept 2014, this audit has been postponed until 2014/2015.
Finance	Accountancy	Creditor Payments	Joint	19	10	10	2012/2013	0	Satisfactory	1	3	3	2	2	2	0	19	
Finance	Accountancy	General Ledger	Joint	19	10	10	2011/2012	0	Satisfactory	1	3	3	2	1	3	0	19	
Finance	Revenue & Benefits	Council Tax	Joint	19	10	10	2011/2012	0	Full	0	3	3	3	2	2	0	19	
Finance	Revenue & Benefits	Sundry Debtors	Joint	18	10	10	2012/2013	0	Satisfactory	1	3	3	2	2	2	0	19	
Finance	Capita	Cash Office	SODC	Medium	8	0	2010/2011	2	Satisfactory	1	3	3	2	0	2	0	19	
Health and Housing	Housing Needs/ Advice	Rent Accounting	VVHDC	15	0	10	2007/2008	4	Limited	2	3	1	3	1	1	0	19	Current year review.
HR, IT & Customer Services	ICT	ICT	VVHDC	Medium	0	10	2010/2011	2	Limited	2	2	2	3	1	3	0	19	This area has been subject to three follow up reviews at the request of ACGC. AM does not consider this area needs reviewing in 2013/2014.
HR, IT & Customer Services	LSP	Cash Office	VVHDC	Medium	0	4	2011/2012	1	Limited	2	3	3	2	0	2	0	19	
HR, IT & Customer Services	Performance & Projects	Business Continuity	SODC	N/A	10	0	2007/2008	5	Satisfactory	1	3	0	3	1	3	0	19	
Legal & Democratic Services	Elections, Licensing & Local Land Charges	Elections	VVHDC	N/A	0	10	2007/2008	5	Satisfactory	1	1	2	3	2	2	0	19	This area has been subject to external review and individual reports to ACGC. AM does not consider this area needs reviewing in 2013/2014.
Legal & Democratic Services	Elections, Licensing & Local Land Charges	Elections Payments	Joint	Medium	7	7	2011/2012	1	Satisfactory	1	3	3	2	1	2	0	19	This area has been recently followed up.
Corporate Strategy	Policy & Engagement	Health & Safety	Joint	Medium	10	10	2010/2011	2	Limited	2	2	1	3	3	2	0	18	
Finance	Accountancy	Insurance	VVHDC	22	0	10	2012/2013	0	Satisfactory	1	3	1	3	3	3	0	18	Current year review.
Finance	Accountancy	Bank Reconciliation	Joint	High	10	10	2009/2010	3	Satisfactory	1	3	2	1	1	2	0	18	Reviewed as part of general ledger audit.
HR, IT & Customer Services	ICT	Groupwise/Exchange Procurement	Joint	Medium	4	4	2011/2012	1	Satisfactory	1	2	3	3	2	1	0	18	Specific one-off review.
HR, IT & Customer Services	Performance & Projects	Business Continuity	VVHDC	Medium	0	9	2008/2009	4	Satisfactory	1	3	0	3	1	3	0	18	
Finance	Accountancy	Insurance	SODC	22	10	0	2012/2013	0	Full	0	3	1	3	3	3	0	17	Current year review.
Finance	Accountancy	Budgetary Control	Joint	18	5	5	2008/2009	3	Satisfactory	1	3	1	3	0	2	0	17	Current year review.
Finance	Accountancy	Receipt of Income Arrangements	Joint	17	9	9	2008/2009	3	Satisfactory	1	3	2	1	0	2	0	17	Current year review.
Finance	Accountancy	Council Fees and Charges	Joint	Medium	10	10	2008/2009	4	Limited	2	2	1	2	1	2	0	17	
Finance	Accountancy	Treasury Management	Joint	16	7	7	2011/2012	0	Satisfactory	1	3	2	2	2	2	0	17	
Finance	Accountancy	Capital Management & Accounting	SODC	15	7	0	2011/2012	0	Limited	2	3	2	2	1	2	0	17	
HR, IT & Customer Services	Human Resources	Travel & Subsistence	Joint	Medium	10	10	2011/2012	1	Satisfactory	1	3	3	1	0	2	0	17	This area has been subject to follow up review at the request of ACGC. AM does not consider this area needs reviewing in 2013/2014.
HR, IT & Customer Services	ICT	Disaster Recovery	VVHDC	Medium	0	10	2008/2009	4	Full	0	3	0	3	1	3	0	17	
HR, IT & Customer Services	ICT	ICT	SODC	Medium	10	0	2010/2011	2	Satisfactory	1	2	2	3	0	3	0	17	This area has been subject to three follow up reviews at the request of ACGC. AM does not consider this area needs reviewing in 2013/2014.
Legal & Democratic Services	Elections, Licensing & Local Land Charges	Licensing	Joint	Medium	10	10	2011/2012	1	Satisfactory	1	2	2	3	3	1	0	17	
Legal & Democratic Services	Democratic Services	Anti-Fraud & Corruption Policies	Joint	High	8	8	2008/2009	4	Limited	2	1	3	2	0	1	0	17	Will be reviewed as part of a money laundering exercise being undertaken by the AM.
Corporate Audits		Lone Working/ Officer Security	VVHDC	Low	0	10	2009/2010	3	Satisfactory	1	2	0	3	2	3	0	16	
Corporate Strategy	Waste	Brown Bins	Joint	High	10	10	2011/2012	1	Satisfactory	1	3	1	3	1	2	0	16	
Economy, Leisure & Property	Facilities	Post Room	Joint	Low	10	10	2008/2009	4	Satisfactory	1	2	2	1	0	2	0	16	
Finance	Accountancy	Capital Management & Accounting	VVHDC	15	0	7	2011/2012	0	Satisfactory	1	3	2	2	1	2	0	16	

Schedule of Auditable Activity (updated 21 January 2013)

SERVICE AREA	SERVICE TEAM	AUDIT AREA	SODC/ VWHDC/ JOINT	LAST PRIORITY RATING	SODC AUDIT ALLOCATION	VWHDC AUDIT ALLOCATION	LAST REVIEWED	REVIEW SCORE	LAST AUDIT RATING	RATING SCORE	FINANCIAL RISK X 2	FRAUD RISK X 2	REPUTATIONAL RISK	LEGAL RISK	CORPORATE RISK	OFFICER REQUEST	PRIORITY SCORE	AUDIT PLANNING NOTES
Finance	Accountancy	Internal Recharges	Joint	Low	8	8	2008/2009	4	Satisfactory	1	3	1	0	0	2	1	16	
HR, IT & Customer Services	Performance & Projects	Ocella/Uniform ICT Procurement	Joint	Medium	4	4	2011/2012	1	Full	0	2	3	2	2	1	0	16	Specific one-off review.
HR, IT & Customer Services	Performance & Projects	Records Management	Joint	Low	7	7	2008/2009	4	Limited	2	1	1	3	1	2	0	16	Reviewed as part of last year's data protection audit.
HR, IT & Customer Services	Performance & Projects	Contract Monitoring	VWHDC	Medium	0	10	2008/2009	4	Limited	2	1	1	2	2	2	0	16	
Economy, Leisure & Property	Facilities	Stock Control	Joint	Medium	10	10	2008/2009	4	Satisfactory	1	2	2	1	0	1	0	15	
Finance	Revenue & Benefits	Benefit Fraud	Joint	20	10	10	2012/2013	0	Full	0	3	2	3	1	1	0	15	Current year review.
Finance	Accountancy	Time Management Across Both Councils	Joint	Medium	10	10	2010/2011	1	Satisfactory	1	3	1	1	1	3	0	15	Will be reviewed as part of the internal recharges audit.
HR, IT & Customer Services	Performance & Projects	Contract Monitoring	SODC	Medium	10	0	2008/2009	4	Satisfactory	1	1	1	2	2	2	0	15	
Legal & Democratic Services	Legal	RIPA	Joint	NEW							2	1	3	3	2	1	15	Requested by ACGC.
Legal & Democratic Services	Elections, Licensing & Local Land Charges	Land Charges	SODC	N/A	10	0	2007/2008	5	Satisfactory	1	2	0	3	1	1	0	15	
Legal & Democratic Services	Democratic Services	Corporate Governance	VWHDC	Medium	0	10	2008/2009	4	Satisfactory	1	0	2	3	0	2	1	15	
Legal & Democratic Services	Democratic Services	Corporate Governance	SODC	Medium	10	0	2008/2009	4	Full	0	0	2	3	1	2	1	15	
Corporate Strategy	Community Partnership	Partnership Performance Monitoring	Joint	Medium	10	10	2009/2010	3	Satisfactory	1	2	0	3	1	2	0	14	
Corporate Strategy	Waste	Waste Management and Recycling	Joint	Medium	10	10	2011/2012	1	Limited	2	3	0	3	1	1	0	14	
Corporate Strategy	Policy & Engagement	Consultation (Public & Staff)	Joint	Low	10	10	2008/2009	4	Limited	2	1	0	3	0	3	0	14	
Economy, Leisure & Property	Leisure	Wantage Civic Hall	VWHDC	17	0	10	2012/2013	0	Limited	2	2	2	2	0	1	1	14	AM has placed this in the audit plan for further review in 2013/2014 due to current year findings.
Economy, Leisure & Property	Arts	Cornerstone	SODC	15	10	0	2012/2013	0	Satisfactory	1	3	0	3	1	3	0	14	
Finance	Accountancy	Bank Contract & Arrangements	SODC	N/A	4	0	2007/2008	3	Satisfactory	1	2	0	1	2	3	0	14	
Finance	Accountancy	Verification of Budget Savings	Joint	Medium	10	10	2011/2012	1	Satisfactory	1	3	0	3	0	3	0	14	
Finance	Accountancy	Community Loans Scheme	Joint	NEW							2	2	2	1	2	1	14	Requested by ACGC.
Finance	Accountancy	Credit Card Usage	Joint	NEW							2	3	1	1	1	1	14	Requested by ACGC.
Health and Housing	Housing Needs/ Advice	Temporary Accommodation	VWHDC	15	0	Not Known	2007/2008	4	Satisfactory	1	1	1	3	1	1	0	14	
HR, IT & Customer Services	Performance & Projects	Project Management	Joint	Medium	15	15	2010/2011	2	Satisfactory	1	2	1	2	1	2	0	14	
HR, IT & Customer Services	Human Resources	HR Recruitment Processes	Joint	High	10	10	2010/2011	2	Satisfactory	1	1	2	2	2	1	0	14	
Planning	Planning Policy	Planning Control	SODC	N/A	10	0	2007/2008	4	Satisfactory	1	1	1	2	1	2	0	14	
Legal & Democratic Services	Democratic Services	Gifts and Hospitality	Joint	Low	5	5	2011/2012	1	Sats/Limited	1.5	1	2	3	1	1	0	13.5	
Finance	Accountancy	Petty Cash Procedures	Joint	Medium	5	5	2008/2009	4	Satisfactory	1	1	3	0	0	0	0	13	
Finance	Accountancy	Petty Cash Spot Checks	Joint	Low	3	3	2011/2012	1	Full	0	3	3	0	0	0	0	13	
HR, IT & Customer Services	Human Resources	HR Management	Joint	Low	10	10	2008/2009	4	Satisfactory	1	0	1	2	2	2	0	13	
HR, IT & Customer Services	Performance & Projects	Performance Management	Joint	Low	8	8	2008/2009	4	Satisfactory	1	1	0	3	1	2	0	13	
HR, IT & Customer Services	Human Resources	HR Grievance Procedures	Joint	Low	10	10	2010/2011	2	Full	0	2	0	3	2	1	1	13	AM has placed this in the audit plan, due to concerns raised regarding working templates.
Corporate Strategy	Community Partnership	Discretionary Grants	VWHDC	13	0	8	2012/2013	0	Limited	2	2	1	3	0	1	0	12	
Corporate Strategy	Waste	Cleansing Services	SODC	N/A	8	0	2007/2008	5	Satisfactory	1	1	0	3	1	0	0	12	
Economy, Leisure & Property	Technical	Emergency Planning	Joint	16	5	5	2012/2013	0	Satisfactory	1	2	0	3	1	3	0	12	
Economy, Leisure & Property	Facilities	Facilities Management (Poppin)	Joint	Low	7	7	2011/2012	1	Satisfactory	1	2	1	2	0	2	0	12	
Health and Housing	Housing Needs/ Advice	Housing Allocations	Joint	15	10	10	2012/2013	0	Full	0	1	2	3	2	1	0	12	
Health and Housing	Housing Needs/ Advice	Temporary Accommodation	SODC	15	10	0	2009/2010	2	Satisfactory	1	1	1	3	1	1	0	12	
Health and Housing	Environmental Protection	Environmental Protection	VWHDC	N/A	0	7	2007/2008	5	Satisfactory	1	1	0	3	1	0	0	12	
HR, IT & Customer Services	Performance & Projects	Data Protection	Joint	N/A	5	5	2012/2013	0	Satisfactory	1	1	1	3	3	1	0	12	
HR, IT & Customer Services	Performance & Projects	Risk Management	Joint	17	7	7	2012/2013	0	Satisfactory	1	2	1	3	0	2	0	12	
HR, IT & Customer Services	Human Resources	Establishment Listing	Joint	Medium	3	3	2011/2012	1	Limited	2	2	1	0	0	3	0	12	
HR, IT & Customer Services	Human Resources	Training & Development	SODC	N/A	18	0	2006/2007	6	Satisfactory	1	0	0	2	1	2	0	12	
HR, IT & Customer Services	Human Resources	HR Pro System & Annual Leave Entitlement	Joint	Low	7	7	2011/2012	1	Limited	2	2	1	0	1	2	0	12	
Corporate Audits		Comments & Complaints Process	SODC	Low	8	0	2008/2009	4	Satisfactory	1	1	0	3	1	0	0	11	
Corporate Strategy	Community Partnership	Discretionary Grants	SODC	13	8	0	2012/2013	0	Satisfactory	1	2	1	3	0	1	0	11	
Economy, Leisure & Property	Economic Development	Leader Project Assurance	SODC	Medium	10	0	2010/2011	2	Satisfactory	1	3	0	1	0	1	0	11	
HR, IT & Customer Services	Human Resources	Car Loans	VWHDC	Medium	0	10	2010/2011	2	Satisfactory	1	2	1	1	1	0	0	11	
HR, IT & Customer Services	ICT	Land and Property Gazetteer	VWHDC	Medium	0	7	2007/2008	5	Satisfactory	1	0	0	1	2	2	0	11	
HR, IT & Customer Services	Performance & Projects	Verification of Performance Indicators	Joint	Medium	10	10	2011/2012	1	Satisfactory	1	2	0	3	0	2	0	11	
Corporate Audits		Comments & Complaints Process	VWHDC	Medium	0	10	2009/2010	3	Satisfactory	1	1	0	3	1	0	0	10	
Finance	Accountancy	Mortgages Administration	VWHDC	Medium	0	7	2010/2011	2	Limited	2	2	0	1	1	0	0	10	
Health and Housing	Environmental Protection	Pest Control	SODC	Low	5	0	2010/2011	2	Limited	2	1	0	3	1	0	0	10	
Planning	Building Control	Building Control	Joint	Low	5	5	2011/2012	1	Satisfactory	1	2	0	2	1	1	0	10	
Corporate Strategy	Policy & Engagement	Equalities and Diversity	Joint	Medium	8	8	2011/2012	1	Satisfactory	1	1	0	2	1	2	0	9	
Economy, Leisure & Property	Leisure	Seasonal Leisure Activities	Joint	21	6	6	2012/2013	0	Full	0	2	1	2	1	0	0	9	
Economy, Leisure & Property	Economic Development	Leader Project Grant Verification	SODC	9	4	0	2012/2013	0	Full	0	3	0	1	0	1	1	9	Final year sign-off.
Economy, Leisure & Property	Facilities	Stationery System	Joint	Low	6	6	2011/2012	1	Satisfactory	1	2	1	0	0	1	0	9	
Health and Housing	Housing Development & Regeneration	Housing Development	SODC	N/A	10	0	2007/2008	5	Satisfactory	1	0	0	3	0	0	0	9	
HR, IT & Customer Services	Performance & Projects	Information Governance	Joint	12	10	10	2012/2013	0	Satisfactory	1	0	0	3	2	3	0	9	
Corporate Strategy	Communications	Tourism (Marketing Contract)	SODC	Low	5	0	2008/2009	4	Satisfactory	1	1	0	1	0	0	0	8	
Corporate Strategy	Waste	Oxfordshire Waste Partnership	VWHDC	Medium	0	10	2008/2009	4	Satisfactory	1	1	0	1	0	0	0	8	
Health and Housing	Environmental Protection	Stray Dogs Contract	VWHDC	Low	0	10	2010/2011	2	Satisfactory	1	1	0	2	1	0	0	8	
Health and Housing	Environmental Protection	Food & Safety	Joint	NEW							1	0	3	1	1	1	8	Requested by ACGC.
HR, IT & Customer Services	ICT	Geographical Information Systems	Joint	Low	10	10	2008/2009	4	Satisfactory	1	0	0	0	1	2	0	8	
Legal & Democratic Services	Elections, Licensing & Local Land Charges	VFM from CCTV Contract	Joint	Low	10	10	2009/2010	3	Satisfactory	1	1	0	1	1	0	0	8	
Planning	Development	Planning Fees	Joint	Medium	7	7	2011/2012	1	Full	0	1	0	2	2	1	0	8	
Corporate Strategy	Waste	Oxfordshire Waste Partnership	SODC	Medium	10	0	2009/2010	3	Satisfactory	1	1	0	1	0	0	0	7	

Schedule of Auditable Activity (updated 21 January 2013)

SERVICE AREA	SERVICE TEAM	AUDIT AREA	SODC/ VWHDC/J OINT	LAST PRIORITY RATING	SODC AUDIT ALLOCATION	VWHDC AUDIT ALLOCATION	LAST REVIEWED	REVIEW SCORE	LAST AUDIT RATING	RATING SCORE	FINANCIAL RISK X 2	FRAUD RISK X 2	REPUTATIONAL RISK	LEGAL RISK	CORPORATE RISK	OFFICER REQUEST	PRIORITY SCORE	AUDIT PLANNING NOTES
Corporate Strategy	Parks	Grounds Maintenance	Joint	Low	10	10	2011/2012	1	Satisfactory	1	1	0	2	1	0	0	7	
Corporate Strategy	Policy & Engagement	Carbon Management Programme	Joint	6	10	10	2012/2013	0	Satisfactory	1	1	0	2	0	1	0	6	
HR, IT & Customer Services	Performance & Projects	Freedom of Information	Joint	11	8	8	2012/2013	0	Satisfactory	1	0	0	3	2	0	0	6	
Economy, Leisure & Property	Facilities	Mobile Home Parks	Joint	16	12	12	2012/2013	0	Satisfactory	1	1	0	2	0	0	0	5	

KEY:

Review Score Number of audit years since last review.

Rating Score Full Assurance - 0 points
 Satisfactory Assurance - 1 point
 Limited Assurance - 2 points
 Nil Assurance - 3 points

Risk Score Negligible Risk - 0 points

 Low Risk - 1 point
 Consequences will not be severe and any associated losses relatively small.

 Medium Risk - 2 points
 Risk will have a noticeable effect on services provided.

 High Risk - 3 points
 Risks which can leave a major impact on the operation of the council or the services.

Risk Definition

Financial - Any risk which has a potential adverse financial consequence.

Fraud - The risk of a person/persons using deception to make a personal gain which has an impact on the organisation.

Reputational - Risk of negative perception on the part of stakeholders which then has an impact on the organisation.

Legal - Risk of breaches of legislation. Any financial consequence of such a breach is scored in the financial risk element.

Corporate - Risk of operational disruption resulting from inadequate or failed internal processes, people and systems or from external events.

NB: Financial and fraud risk has been weighted (x2), due to higher level of impact if risk materialised.

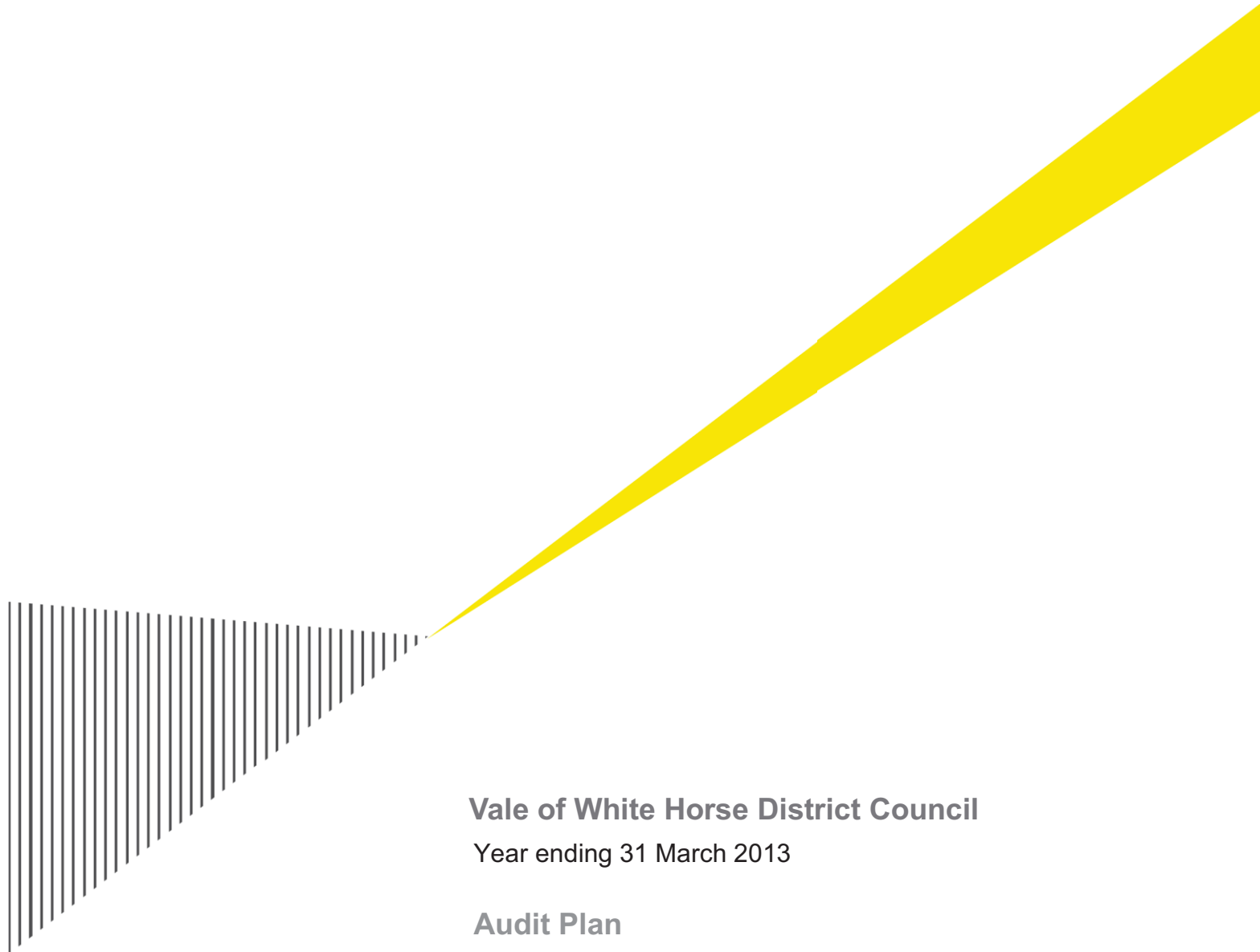
JOINT	Priority Score	SODC Days	VWHDC Days
Payroll	23	16	16
Disaster Recovery	21	5	5
S106 Commuted Sums / CIL	21	10	10
Housing & Council Tax Benefits	20	15	15
NNDR	20	12	12
Council Tax	19	12	12
Creditor Payments	19	10	10
General Ledger	19	10	10
Sundry Debtors	19	10	10
Pro-Active Anti-Fraud Review	19	8	8
Cash Office	19	5	5
Business Continuity	19	7	7
Health and Safety	18	10	10
Treasury Management	17	7	7
Capital Management and Accounting	17	7	7
Council Fees and Charges	17	10	10
Licensing	17	10	10
Lone Working/Officer Security	16	10	10
Brown Bins	16	10	10
Post Room (including receipt of valuable items)	16	10	10
Internal Recharges	16	10	10
Temporary Accommodation (including rent deposit, rent in advance and rent accounting)	15	12	12
Stock Control	15	6	6
RIPA	15	5	5
Credit Card Usage	14	4	4
HR Grievance Procedures	13	7	7
Environmental Health Food & Safety	8	10	10
SODC	Priority Score	SODC Days	VWHDC Days
Leader Project Grant Verification	9	5	0
Community Loans Scheme	14	4	0
VWHDC	Priority Score	SODC Days	VWHDC Days
Wantage Civic Hall	14	0	10
TOTAL DAYS		257	258

Priority Rating:

Audits are rated within the schedule of auditable activity taking into consideration the following factors:

- The date of the last review;
- The last assurance rating the audit area was given;
- Risk scores for the level of exposure to financial, fraud, reputational, legal and corporate risk; and
- Officer requests for a review.

This generates a priority score which, together with external and internal audit and the section 151 officer's opinion on key risk areas, drives which audits are placed in the annual audit plan.



Vale of White Horse District Council

Year ending 31 March 2013

Audit Plan

11 March 2013

Councillor Simon Howell- Chairman
Audit & Governance Committee
Vale of White Horse District Council
Abbey House
Abingdon, Oxon
OX14 3JE

11 March 2013

Dear Councillor Howell

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. The purpose of this report is to provide the Audit & Governance Committee with a basis to review our proposed audit approach and scope for the 2013 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key risks which drive the development of an effective audit for Vale of White Horse District Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you on 20 March 2013 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Maria Grindley
For and behalf of Ernst & Young LLP
Enc

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1. Overview

Context for the audit

This audit plan covers the work that we plan to perform in order to provide you with:

- ▶ Our audit opinion on whether the financial statements of Vale of White Horse District Council give a true and fair view of the financial position as at 31 March 2013 and of the income and expenditure for the year then ended; and
- ▶ A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on your Whole of Government Accounts return.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter. This means our feedback will be relevant to the Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

In part 2 and 3 of this report we provide more detail on the areas which we believe present significant risk to the financial statements audit, and outline our plans to address them.

As part of our planning we have identified three specific risk to the audit of financial statements and two specific risks to the value for money conclusion on the Council's use of resources.

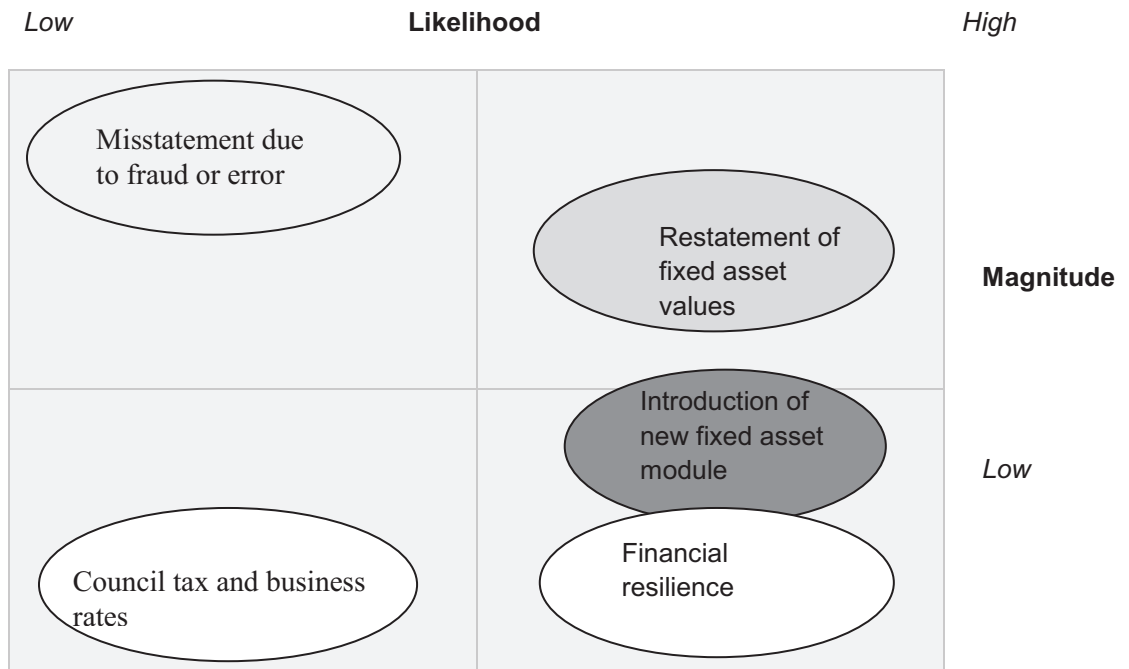
Financial statements

- ▶ Material restatements were made to gross values of fixed assets in 2011/12 in anticipation of the introduction of a fixed asset module. As there were no detailed working papers to support these, they were reversed. The adjustments are expected to be included within the 2012/13 statements; review of these would incur an additional fee.
- ▶ The fixed asset module has yet to be introduced. Introduction late in the financial year carries significant risk of incorrect disclosure of classes of asset. Work to gain assurance over the conversion from the current spreadsheet system would incur an additional fee.
- ▶ Misstatement due to fraud or error; this is an inherent risk due to the nature of local authority finances and increasing pressures on management to achieve financial targets.

Value for money

- Changes to arrangements for council tax support and business rates: These changes represent a significant change for the Council, and council tax support brings both financial and reputational risks if the caseload figure rises dramatically.
- The current financial pressure on local authorities and the impact and necessity for continuous focus on financial resilience and use of resources are significant challenges over the medium term.

The grid below shows the overall assessment of these risks in terms of their likelihood of occurrence in 2012/13 as well as the perceived magnitude of the risk to our opinion.



- Presentation and Disclosure
- Valuation
- Value for money risk
- Judgements

We will provide an update to the Audit & Governance Committee on the results of our work in these areas as the audit progresses, and formally in our report to those charged with governance scheduled for delivery in September 2013.

Our process and strategy

Financial statement audit

We will apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. We set our materiality based on the Council's level of gross expenditure. We also consider the size of useable reserves, the Council's financial position, its public profile and the reporting and challenge history. Our audit is designed to identify errors above materiality.

- ▶ We aim to rely on the Council's internal controls in the key financial systems to the fullest extent allowed by auditing standards. We identify the controls we consider important and seek to place reliance on internal audit's testing of those controls. Where control failures are identified we consider the most appropriate steps to take.
- ▶ We seek to place reliance on the work of internal audit wherever possible. We have already liaised with internal audit where this is planned.
- ▶ The key members of our audit team are Maria Grindley, Director; Anne Ockleston, Manager; and Angus Fookes, Team Leader

Arrangements for securing Economy, Efficiency and Effectiveness

We adopt an integrated audit approach: our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

Although we have identified a specific risk relating to the financial pressures facing local authorities, this does not at this stage require us to undertake additional work to address it.

2. Financial Statement Risks

We outline below our assessment of the key strategic or operational risks and the financial statement risks facing the Council, identified through our knowledge of the entity's operations and discussion with members and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<p>Asset Management – new register</p> <p>The asset register is maintained on an Excel spreadsheet, rather than an IT based register. The Council anticipated introducing such a Fixed Asset register in 2012/13 but this has yet to be introduced. Work required to provide assurance over a new system would incur an additional fee</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Testing the integrity of the spreadsheet ▶ Testing adjustments for assets restated in the current financial year ▶ Confirming the asset register method (spreadsheet or IT module) producing financial statement figures and disclosures. ▶ Agreeing additional work required to provide audit assurance over the new system.
<p>Asset Management – adjustments</p> <p>The Council is proposing to restate historical gross book value and gross depreciation and impairment under IFRS rules. This was proposed in 2011/12 but was not supported by any working papers. Work to provide assurance over these adjustments will incur an additional fee.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Discussing the proposed changes with finance officers; ▶ Identifying the materiality of the changes and determining the extent of audit procedures to be applied. ▶ Agreeing a fee for the work required
<p>Risk of misstatement due to fraud and error</p> <p>Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud. Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements, whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such a risk.</p>	<p>Based on the requirements of auditing standards our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Identifying fraud risks during the planning stages. ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks. ▶ Understanding the oversight given by those charged with governance of management's processes over fraud. ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud. ▶ Determining an appropriate strategy to address those identified risks of fraud. ▶ Performing mandatory procedures regardless of specifically identified fraud risks. <p>We will consider the results of the National Fraud Initiative and may refer to it in our reporting to you.</p> <ul style="list-style-type: none"> ▶ Our approach to address the risks of fraud we have identified at this stage of our planning will focus on: <ul style="list-style-type: none"> ▶ reviewing the year-end position against in-year financial forecasts; ▶ reviewing the reasonableness and completeness of prepayments, accruals and provisions; ▶ testing material adjustments made by journals; and ▶ reviewing transactions both before and after year-end to ensure they are correctly disclosed in the correct financial period

3. Economy, Efficiency & Effectiveness

Our work will focus on:

1. Whether there are proper arrangements in place for securing financial resilience at Vale of White Horse District Council; and
2. Whether there are proper arrangements in place at Vale of White Horse District Council to secure economy, efficiency and effectiveness in the use of resources.

The table below provides a high-level summary of our risk assessment and our proposed response to those risks. At this stage of our audit we have not identified any significant risks beyond the general financial pressures facing all local authorities.

Other risks	Our audit approach	
Managing finances		
<p>The current financial pressure on local authorities and the impact and necessity for continuous focus on financial resilience and use of resources represents a significant challenge over the medium term.</p>	<p>Economy, efficiency and effectiveness</p> <p>Financial resilience</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Reviewing the Council's medium term financial plans
Changes to arrangements for council tax support and business rates		
<p>From April 2013, there will be changes to the arrangements for both Local Council Tax Support (CTS) and business rates. The changes represent a significant change, and could bring both financial and reputational risks if the level of CTS increases</p>	<p>Economy, efficiency and effectiveness</p> <p>Financial resilience</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ How the Council has planned for and managed these changes. ▶ How the Council has assessed the likely impact of the changes on its financial position and built these into its future financial projections and budget.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code'), dated March 2010, our principal objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code:

- i) the accuracy and completeness of the Council's financial statements; and
- ii) the adequacy of the arrangements for securing economy, efficiency and effectiveness in its use of resources.

We issue a two-part audit report covering both of these objectives.

i) Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on your Whole of Government Accounts return

ii) Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, to the fullest extent possible we will place reliance on the reported results of the work of other statutory inspectorates in relation to corporate or service performance. In examining the Council's corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

4.2 Audit process overview

Our audit involves:

- ▶ assessing the key internal controls in place and testing the operation of these controls;
- ▶ review and re-performance of the work of your internal auditors;
- ▶ reliance on the work of other auditors where appropriate;
- ▶ reliance on the work of experts in relation to areas such as pensions and valuations; and
- ▶ substantive tests of detail of transactions and amounts.

Processes

Our initial assessment of the key processes across the entity has identified the following key processes where we will seek to test key controls, both manual and IT:

- Accounts receivable
- Accounts payable
- General ledger transactions (including cash and bank transactions)
- Housing and Council Tax Benefits
- Payroll
- Treasury management

We propose to take a substantive approach to the following areas on the grounds of efficiency: business rates, council tax and journals.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular for payroll, accounts payable, and journal entries. These tools:

- help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit & Governance Committee.

Internal audit

As in previous years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports - together with reports from other work completed in the year - in our detailed audit plan, which raises issues that could have an impact on the year-end financial statements.

Use of experts

We will use specialist Ernst & Young resource as necessary to help us to form a view on judgments made in the financial statements. We will seek to rely on experts engaged by the Audit Commission for assurance over actuaries used to prepare pensions information within your financial statements.

In addition to the key areas of emphasis outlined above, we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline the procedures we will undertake during the course of our audit.

Mandatory procedures required by auditing standards on:

- ▶ Addressing the risk of fraud and error.
- ▶ Significant disclosures included in the financial statements.
- ▶ Entity-wide controls.

- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements.
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement and the Remuneration Report.
- ▶ Reviewing and reporting on the Whole of Government accounts return, in line with the instructions issued by the NAO.
- ▶ Reviewing, and where appropriate, examining evidence that is relevant to the Council's corporate performance management and financial management arrangements and reporting on these arrangements.

4.3 Materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition..

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

ISA (UK & Ireland) 450 (revised) requires us to record all misstatements identified except those that are "clearly trivial. All uncorrected misstatements found above a trivial amount will be presented to you in our year-end report.

4.4 Fees

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of the Council is £61,397.

This indicative fee figure may increase as a result of the need to undertake any additional work on the adjustments for the material restatements made to gross values of fixed assets in 2011/12, plus the introduction of the new fixed asset module.

4.5 Your audit team

The engagement team is led by Maria Grindley, who has significant experience on Vale of White Horse District Council. Maria is supported by Anne Ockleston who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the shared accountancy manager.

4.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts; and the deliverables we have agreed to provide to you through the Audit & Governance Committee cycle in 2013. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

We will provide formal reports to the Audit and Governance Committee throughout our audit process as outlined below. Where required, we will issue an Interim Report, summarising the findings from our audit at that stage. From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Committee Chairman as appropriate

Following the conclusion of our audit we will prepare a management letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Audit & Governance Committee timetable	Deliverables
High level planning	January	January	Audit Fee letter
Risk assessment and setting of scopes	December/February	March	Audit Plan
Testing of routine processes and controls	March /April	June	Progress Report (if required)
Value for money conclusion	February/June	June	Progress Report (if required)
Year-end audit including WGA	July – September	September	Report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources). Audit completion certificate
Reporting	September		Management Letter*
Grant claims	January	January 2014	Report on the audit of grant claims

* The Management Letter is issued prior to 30 November. As the Audit and Governance Committee does not meet until January 2014, we will endeavour to bring this to the September meeting, or send to the S.151 officer to forward to committee members ahead of the January 2014 committee meeting.

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission’s Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit, we are also required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. However we have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long-outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved and that are in compliance with the Audit Commission's Standing Guidance.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard 4.

There are no other self interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Maria Grindley, your audit engagement partner and the audit engagement team have not been compromised.

5.3 Other required communications

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 29 June 2012 and can be found here:

[UK 2012 Transparency Report](#)

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2012/13	Actual Fee 2011/12	Explanation of variance
	£'000	£'000	
Total Audit Fee – Code work**	61,397	103,200	Reduction due to AC contract procurement exercise
Certification of claims and returns*	19,750	28,890	Reduction due to AC contract procurement exercise
No non-audit work			

* Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission. This fee may increase if additional work is required

** Our fee may increase if additional work is required to support the opinion

The agreed code audit fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ We are able to rely on the work of internal audit as planned;
- ▶ The level of risk in relation to the audit of accounts is consistent with that in the prior year;
- ▶ No significant changes are made by the Audit Commission to the use of resources criteria on which our conclusion will be based;
- ▶ Our accounts opinion and use of resources conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ There is an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with you in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit & Governance Committee of audited clients. These are detailed here.

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit, including any limitations.	Audit Plan
Significant findings from the audit	Report to those charged with governance
<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Any significant difficulties encountered during the audit ▶ Any significant matters arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Any other matters if significant to the oversight of the financial reporting process 	
Misstatements	Report to those charged with governance
<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements where they are significant 	
Fraud	Report to those charged with governance
<ul style="list-style-type: none"> ▶ Enquiries of the Audit & Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council ▶ Any fraud that we have identified or information we have obtained that indicates a fraud may exist ▶ A discussion of any other matters related to fraud 	
Related parties Significant matters arising during the audit in connection with the Council's related parties, including where applicable:	Report to those charged with governance
<ul style="list-style-type: none"> ▶ Non-disclosure by management and councillors ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ 	
External confirmations	Report to those charged with governance
<ul style="list-style-type: none"> ▶ Management's refusal to allow us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	
Consideration of laws and regulations	Report to those charged with governance
<ul style="list-style-type: none"> ▶ Audit findings on non-compliance where material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit & Governance Committee into any possible instances of non-compliance with laws and regulations they know about, where they may have a material effect on the financial statements 	
Independence Communication of all significant facts and matters bearing on Ernst & Young's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:	Audit Plan Report to those charged with governance

Required communication	Reference
<ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards <ul style="list-style-type: none"> ▶ Information about the general policies and processes within the firm to maintain objectivity and independence ▶ The Audit & Governance Committee should also be given an opportunity to discuss matters affecting auditor independence 	
<p>Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Report to those charged with governance
<p>Significant deficiencies in internal controls identified during the audit</p>	Report to those charged with governance
<ul style="list-style-type: none"> ▶ 	Audit Plan
<p>Certification work on grants</p>	Annual Certification Report to those charged with governance, and Management Letter if considered necessary
<ul style="list-style-type: none"> ▶ Summary of certification work and findings 	
<p>Fee Information</p>	
<ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan 	Audit Plan
<ul style="list-style-type: none"> ▶ Breakdown of fee information at the completion of the audit 	Report to those charged with governance and Management Letter if considered necessary

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Audit and Governance Committee Report



20 March 2013

Report of: **Strategic Director**

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E-mail: steve.bishop@southandvale.gov.uk

To: **Audit and Governance Committee**

Date: **20 March 2013**

Wards Affected
All

Actions arising

Recommendation

That members note the content of the report

Purpose of report

1. The purpose of this report is to respond on actions arising from previous committee meetings.
2. The contact officer for this report is Steve Bishop, strategic director and s.151 chief finance officer for South Oxfordshire District Council and Vale of White Horse District Council, telephone (SODC) 01491 823831 and (VWHDC) 01235 540332.

Strategic objectives

3. To assist the council to manage its business effectively by providing an assurance framework to monitor the overall adequacy and effectiveness of the internal control environment.

Matters arising

(a) Comments on internal audit reports not presented to committee – National non-domestic rates	Committee Date – 21 March 2012
The committee requested that when further details of the government's changes to the national non-domestic rates system became available, Cabinet, Council and this committee should be informed.	
Comment Details of the how the new localisation of	Action Recommend remove from actions

business rates system will work and its financial implications were given in the 2013/14 budget setting report as considered by Cabinet (8 February 2013), Scrutiny Committee (14 February 2013) and Council (20 February 2013).	arising list.
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(b) Internal audit activity report – quarter 2 2012/13	Committee Date – 26 September 2012
The committee asked the audit manager to follow up the need to reconcile weighbridge data for the amount of recycled waste collected.	
Comment The waste team have completed a reconciliation spot check of Q1 2012/13, and are aware that they need to complete further spot checks. Internal audit will continue to monitor progress against this recommendation.	Action Retain on actions arising list.

(c) Internal audit activity report – quarter 2 2012/13	Committee Date – 26 September 2012
The committee asked the strategic director to review the process to record data once and pass it on to services when new homes are built and occupied.	
Comment The council has a single website page to capture information needed to update the council's records and this has been revised recently.	Action Recommend remove from actions arising list.

(d) Comments on internal audit reports not presented to committee	Committee Date – 26 September 2012
The committee asked the officers to seek legal advice on whether certain post holders can be required to undertake a Criminal Records Bureau check.	
Comment The Head of Legal and Democratic Services has concluded that the roles of the internal audit and benefit fraud teams do not justify Disclosure and Barring Services (formerly Criminal Records Bureau) checks. They do not work with children or vulnerable adults so would not be eligible for an enhanced check. They do not fall within any of the categories or professions listed in the guidance for standard checks. The council cannot overcome any restrictions by obtaining an applicant's/employee's consent. The guidance is quite clear that the council is legally responsible for ensuring that it is entitled to ask a person to reveal their conviction history.	Action Retain on actions arising list.

STEVE BISHOP
STRATEGIC DIRECTOR

Audit and Governance work programme

containing Audit and Governance Committee work to be undertaken
1 March 2013 - 31 December 2013



The audit and governance work programme belongs to the council's Audit and Governance Committee and sets out a schedule of work for the period shown above. It is a rolling plan, subject to change at each Audit and Governance Committee meeting; however, the council may allocate additional work.

You can make representations on any issue below. Please contact the officer shown below by 10am on the day the committee is due to meet.

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Business continuity and risk management update	Audit and Governance Committee 20 Mar 2013	Geoff Bushell Tel. (01235) 547689 Email: geoff.bushell@southandvale.gov.uk	The committee is charged with the responsibility with monitoring the council's business continuity and risk management arrangements.	To receive an update on the council's business continuity and risk management arrangements.	
External audit plan 2012/13	Audit and Governance Committee 20 Mar 2013	Steve Bishop, Strategic Director and Section 151 Officer Tel. (01235) 540332 Email: steve.bishop@southandvale.gov.uk	The council's external auditor produces a plan of the 2012/13 financial statements to be audited.	To consider the external auditor's report.	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Internal audit plan 2013/14	Audit and Governance Committee 20 Mar 2013	Adrianna Partridge Tel. (01491) 823544 Email: adrianna.partridge@southandvale.gov.uk	Each year the committee reviews the planned audits due to be carried out by the council's internal audit team and sets a plan for the forthcoming year.	To review the 2012/13 internal audit plan and approve a plan for 2013/14.	
Internal audit activity report	Audit and Governance Committee 24 Jun 2013	Adrianna Partridge Tel. (01491) 823544 Email: adrianna.partridge@southandvale.gov.uk	The council audits its services through the internal audit service.	To review the outcomes from the internal audits and recommend any further actions or improvements.	
Internal audit management report	Audit and Governance Committee 24 Jun 2013	Adrianna Partridge Tel. (01491) 823544 Email: adrianna.partridge@southandvale.gov.uk	The committee monitors the effectiveness of the internal audit each quarter.	To monitor the management of internal audit.	
Internal audit annual report 2012/13	Audit and Governance Committee 24 Jun 2013	Adrianna Partridge Tel. (01491) 823544 Email: adrianna.partridge@southandvale.gov.uk	Each year the council's internal audit team produces an annual report to review activities over the previous year.	To review internal audit activity during 2012/13.	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Health and safety annual report 2012/13	Audit and Governance Committee 24 Jun 2013	Sally Truman, Policy and Community Engagement Manager Tel. (01235) 540408 Email: sally.truman@soouthandvale.gov.uk	Strategic management board has asked this committee to review the annual health and safety report.	To review the annual report and recommend any further actions or improvements.	
External auditor's annual governance report 2012/13	Audit and Governance Committee 23 Sep 2013	Steve Bishop, Strategic Director and Section 151 Officer Tel. (01235) 540332 Email: steve.bishop@soouthandvale.gov.uk	The external auditor publishes an annual governance report on the council's activities.	To consider the external auditor's annual governance report 2012/13.	
Statement of accounts 2012/13	Audit and Governance Committee 23 Sep 2013	William Jacobs, Head of Finance Tel. (01235) 540455 Email: william.jacobs@soouthandvale.gov.uk	The council must produce a statement of accounts each year.	To approve the statement of accounts 2012/13.	
Annual governance statement 2012/13	Audit and Governance Committee 23 Sep 2013	Steve Culliford Tel. (01235) 540307 Email: steve.culliford@soouthandvale.gov.uk	The council is required to publish an annual governance statement.	To approve the annual governance statement.	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
Treasury management outturn 2012/13	Audit and Governance Committee 23 Sep 2013	William Jacobs, Head of Finance Tel. (01235) 540455 Email: william.jacobs@southandvale.gov.uk	The committee is responsible for the scrutiny of the council's treasury management activity.	To consider the treasury management outturn for 2012/13.	
Comments and complaints 2012/13	Audit and Governance Committee September 2013	David Buckle Tel. (01235) 540303 Email: david.buckle@southandvale.gov.uk	The committee is charged with the responsibility of monitoring the council's comments and complaints.	To review the complaints received during 2012/13.	