

Audit and Governance Committee Agenda



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Date: 7 March 2014
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A meeting of the
Audit and Governance Committee
will be held on Monday 17 March 2014 at 6.30pm
Council Chamber, The Abbey House, Abingdon, OX14 3JE

Members of the Committee:

Councillors

Simon Howell (Chairman)
Mohinder Kainth (Vice-Chairman)
St John Dickson
Dudley Hoddinott
Angela Lawrence

Pat Lonergan
Sandy Lovatt
Kate Precious
Judy Roberts
Andrew Skinner

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A handwritten signature in black ink that reads 'M Reed'.

Margaret Reed
Head of Legal and Democratic Services

Agenda

Open to the Public including the Press

Council's vision

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 4 - 9)

To adopt and sign as a correct record the minutes of the meeting of the committee held on 27 January 2013 (previously published).

3. Actions arising

(Pages 10 - 11)

To review the actions arising from the last two committee meetings and receive an update on progress.

4. Declarations of interest

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

5. 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.

6. 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.

7. Internal audit activity report

(Pages 12 - 17)

To consider the audit manager's report.

8. Internal audit management report

(Pages 18 - 27)

To consider the audit manager's report.

9. Internal audit plan 2014/15

(Pages 28 - 36)

To consider the audit manager's report.

10. External auditor's 2013/14 audit plan report

(Pages 37 - 56)

To consider the external auditor's report.

11. Business continuity and risk management update

(Pages 57 - 59)

To consider the head of finance's report.

12. Audit and governance work programme

(Pages 60 - 62)

To review the audit and governance work programme.

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

None

Minutes

of a meeting of the

Audit and Governance Committee



held on Monday 27 January 2014 at 7.00pm
in the Council Chamber, The Abbey House, Abingdon

Open to the public, including the press

Present:

Members: Councillors Mohinder Kainth (Vice-Chairman – in the chair),
St John Dickson, Dudley Hoddinott, Angela Lawrence, Pat Lonergan, Sandy Lovatt,
Judy Roberts and Andrew Skinner

Officers: Steve Bishop, Steve Culliford, William Jacobs, Craig Pullen and Bob Watson

Number of members of the public: Nil

AG.31 Notification of substitutes and apologies for absence

Councillor Simon Howell (Chairman) had sent his apologies for absence. Councillor Mohinder Kainth (Vice-Chairman) took the chair for this meeting.

AG.32 Minutes

RESOLVED: to adopt as a correct record the minutes of the committee meeting held on 23 September 2013 and agree that the chairman signs them.

AG.33 Actions arising

The committee considered the actions arising report that set out progress against the committee's decisions at previous meetings and updated the schedule.

RESOLVED: to

(a) update the actions arising schedule as follows:

(a) Internal audit activity report fourth quarter 2012/13	Committee Date – 20 March 2013
The committee asked the officers to report on ways in which the council's insurance officer advises Wantage Civic Hall staff of the insurance arrangements in place and to	

consider if such communications should be enhanced in any way.	
Comment Accountancy discuss and confirm insurance arrangements with each head of service annually. Accountancy will respond to specific questions regarding these arrangements but does not have the resource to engage with every operational team.	Action Remove from actions arising list.
(b) Internal audit activity – first quarter 2013/14	Committee Date – 24 June 2013
The committee agreed to monitor the systemic control weaknesses carefully.	
Comment The committee agreed to monitor the systemic control weaknesses to assess whether improvements are being made and if not, to determine a course of action. This is contained in the internal audit activity report to each committee meeting.	Action Remove from actions arising list.
(c) External auditor’s report	Committee Date – 24 June 2013
The committee asked the strategic director to consider consulting on the public’s comprehension of council financial information.	
Comment The strategic director will consider using the citizens' panel to assess comprehension of financial information.	Action Retain on this actions arising list.
(d) Internal audit management report – second quarter 2013/14	Committee Date – 23 September 2013
The committee asked the audit manager to investigate alternative software to redesign the audit plan schedule, so that it shows progress on each audit, and estimates completion time.	
Comment Alternative software not used by the council. However, the audit manager amended the schedule to use the ‘exceptions’ column in appendix 1 of the report to explain any variances from the original plan.	Action Remove from actions arising list.
(e) Audit and governance work programme	Committee Date – 23 September 2013
The committee asked the officers to report in January 2014 on progress made with the implementation of the new computerised asset management system.	
Comment Bob Watson updated the Committee in January.	Action Remove from actions arising list.

- (b) add to the actions arising schedule to request officers to report to the committee in March 2014 on the council's risk management strategy and an overview of the council's strategic risk registers.

AG.34 Declarations of interest

None

AG.35 Urgent business and chairman's announcements

None

AG.36 Statements, petitions, and questions from the public relating to matters affecting the Audit and Governance Committee

None

AG.37 Treasury management mid-year report 2013/14

The committee considered the head of finance's report that monitored performance of the council's treasury management function for the first half of 2013/14.

RESOLVED: to

- (a) note the treasury management mid-year monitoring report 2013/14; and
- (b) record that the committee is satisfied that the treasury management activities are carried out in accordance with the treasury management strategy and policy.

AG.38 Treasury management and investment strategy 2014/15

The committee considered the head of finance's report that reviewed the treasury management and investment strategy for 2014/15. This recommended:

- raising the authorised limit and operational boundary for borrowing by £20 million in order to enable the council to borrow £20 million for infrastructure works in support of the Science Vale UK Enterprise Zone
- the council should not borrow more than or in advance of its needs purely to profit by investing the sums borrowed
- inserting a minimum revenue provision to match repayments and funding from the local enterprise partnership business rate growth to neutralise impact on local taxation

The committee supported the changes to the strategy in the knowledge that Cabinet would take any decisions to borrow, and such decisions would be open to scrutiny.

RESOLVED: to recommend Cabinet to recommend to Council to

- (a) approve the treasury management strategy 2014/15;

- (b) approve the prudential indicators and limits for 2014/15 to 2016/17 as set out in table 2, appendix A to the head of finance's report; and
- (c) approve annual investment strategy 2014/15 set out in appendix A and the lending criteria detailed in table 5 to the head of finance's report.

AG.39 Fixed asset management system

The committee received an update on progress with a new computerised asset management system. The officers were testing the new system, running it alongside the previous system. So far the tests had proved successful. The committee welcomed this news.

AG.40 Internal audit activity - third quarter 2013/14

The committee considered the audit manager's report on internal audit activity in the third quarter 2013/14, covering the period October to December 2013. Of the audits referred to in the report, five had received a full assurance rating from internal audit, and four had received a satisfactory assurance rating. The report also referred to four follow-up audits, one of which had received full assurance rating and three had received satisfactory assurance. The committee was pleased to note that no audits had received a limited or nil assurance rating.

The committee also noted that the number of system control weaknesses had reduced since the last meeting. This was due to internal audit completing several key financial audits and follow up reviews. However, the audit manager reported that he still believed the incidence of these weaknesses was too high and he intended to review these before the next committee meeting to determine whether service managers had completed any outstanding internal audit recommendations. The committee agreed to review the systemic control weaknesses again at its next meeting to determine whether to call line managers before the committee to answer councillors' questions.

RESOLVED: to

- (a) note the internal audit activity report; and
- (b) review the systemic control weaknesses at the next committee meeting to determine whether to call relevant line managers before the committee to answer councillors' questions.

AG.41 Internal audit management - third quarter 2013/14

The committee considered the head of finance's report on management issues within the internal audit service during the third quarter 2013/14, being October to December 2013. The committee welcomed the revised appendix 2 showing progress against the audit plan 2013/14. The committee noted that internal audit was on target to complete the audit plan with the exception of one audit of temporary accommodation that would be delayed to avoid disruption to the service at a critical time.

The committee also noted that the audit manager was recruiting an auditor to the vacant post.

RESOLVED: to note the internal audit management report.

AG.42 External auditor's annual audit letter 2012/13

The committee considered the annual audit letter 2012/13 from the council's external auditor's, Ernst & Young. This set out the key issues found during the year:

- There were no material misstatements in the council's statement of accounts, resulting in an unqualified opinion on the financial statements
- There were proper arrangements in place for securing financial resilience and securing economy, efficiency and effectiveness, resulting in an unqualified value for money conclusion
- No objections had been received from the public to the council's accounts
- There were no areas of concern in the accuracy of the consolidation pack the council prepared for the whole of government accounts
- There were no areas of concern in the council's annual governance statement
- There were no significant deficiencies in internal control

RESOLVED: to welcome the external auditor's annual audit letter 2012/13 and congratulate the officers on the performance throughout the year.

AG.43 External auditor's report on the certification of claims and returns 2012/13

The committee considered the external auditor's annual report on the certification of the council's claims and returns 2012/13. Adam Swain from Ernst & Young reported that the council's housing and council tax benefits' subsidy claim had received an unqualified opinion, and there were no issues found with separately uploading the parameters onto the system, as recommended by the external auditor last year. The only error in the claims resulted in a reduction of the subsidy by £16,540. The error had been corrected. There was also an unqualified opinion on the council's national non-domestic rates return.

Mr S Bishop, Strategic Director, stated that the report was good news, highlighting the first unqualified benefits subsidy claim in several years indicating an improvement in processes.

Finally, the committee noted that the audit fee for 2012/13 was £19,750.

RESOLVED: to note the external auditor's report on the certification of claims and returns 2012/13.

AG.44 Audit and governance work programme

The committee noted its work programme for the remainder of 2014 and added two items for its March meeting:

- a report on the council's risk management strategy and an overview of the council's strategic risk registers
- review the systemic control weaknesses to determine whether to call line managers before the committee to answer councillors' questions

RESOLVED: to update the committee's work programme as set out in the bullet points above.

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

None

The meeting closed at 8.15 pm

Audit and Governance Committee Report



17 March 2014

Report of: **Strategic Director**

Author: **Steve Culliford**

Telephone: **01235 540307**

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

To: **Audit and Governance Committee**

Date: **27 January 2014**

Actions arising

Recommendation

That members note the content of the report and remove the completed actions where recommended.

Purpose of report

1. The purpose of this report is to respond on actions arising from previous committee meetings.

Strategic objectives

2. 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.

Actions arising

(a) External auditor's report	Committee Date – 24 June 2013
The committee asked the strategic director to consider consulting on the public's comprehension of council financial information.	
Comment The strategic director will consider using the citizens' panel to assess comprehension of financial information.	Action Retain on this actions arising list.

(b) Actions arising	Committee Date – 27 January 2014
To report to the committee in March 2014 on the council's risk management strategy and an overview of the council's strategic risk registers.	
Comment The committee's agenda in March 2014 will include a report on this matter.	Action Recommend removal from actions arising list.

STEVE BISHOP
STRATEGIC DIRECTOR



Audit and Governance Committee Report

17 March 2014

Report of Interim Audit Manager

Author: **Craig Pullen**

Telephone: **01235 547615**

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Cabinet member responsible: **Councillor Matthew Barber**

Telephone: **07816 481452**

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To: Audit and Governance Committee

DATE: 17 March 2014

Internal audit activity report quarter four 2013/2014

Recommendation

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 Craig Pullen, Interim 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

2013/2014 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: 0

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
Capital Management & Accounting 13/14		Satisfactory	4	0	0	0	0	4	4
Housing Benefits & Council Tax Reduction Scheme 13/14		Full	0	0	0	0	0	0	0
General Ledger 13/14		Satisfactory	4	0	0	0	0	4	4
Credit Card Usage 13/14		Satisfactory	3	0	0	0	0	3	3

Follow Up Reviews

Follow up reviews are scheduled to be undertaken during March. These reviews have been allocated to the contract auditor and to manage his time effectively we have grouped these reviews together.

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 and non-key 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 1** 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 on an ongoing basis, and will be used to inform the annual audit plan and the scope of individual reviews. **Appendix 2** of this report is a draft template of a report it is proposed to bring to future committee meetings. This report will include all audits from 2010/11 for which there are still outstanding recommendations.

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.

CRAIG PULLEN
INTERIM AUDIT MANAGER

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 point totals.

Systemic control weaknesses as at 28 February 2014

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	134	01/08/2011	Decrease (29)
2	All officers/members should be trained in their role and corporate responsibilities	Joint	38	02/09/2013	Decrease (1)
3	There should be regular financial reconciliations.	Joint	36	05/06/2013	Decrease (3)
4	Information should be accurate.	Joint	30	31/12/2013	Decrease (2)
5	Documents should be filed appropriately.	Joint	28	21/06/2012	Decrease (6)
6	Management information should be reported appropriately.	Joint	25	31/12/2013	Decrease (7)

VALE OF WHITE HORSE DISTRICT COUNCIL - OUTSTANDING RECOMMENDATIONS AS AT 28 FEBRUARY 2014

Appendix 2

Audit	Final Report Issued	Original Number of Recommendations				Recommendations Implemented				Recommendations Not Yet Due				Recommendations Outstanding			
		High	Medium	Low	Total	High	Medium	Low	Total	High	Medium	Low	Total	High	Medium	Low	Total
2010/2011					0				0				0				0
					0				0				0				0
					0				0				0				0
					0				0				0				0
2011/2012					0				0				0				0
					0				0				0				0
					0				0				0				0
					0				0				0				0
					0				0				0				0
					0				0				0				0
2012/2013					0				0				0				0
Benefit Fraud	31 July 2012	0	1	2	3	0	1	1	2	0	0	0	0	0	1	0	1
					0				0				0				0
					0				0				0				0
					0				0				0				0
					0				0				0				0
					0				0				0				0
					0				0				0				0
					0				0				0				0
					0				0				0				0
2013/2014					0				0				0				0
					0				0				0				0
					0				0				0				0
					0				0				0				0
					0				0				0				0
					0				0				0				0
					0				0				0				0

Audit and Governance Committee Report



17 March 2014

Report of Interim Audit Manager

Author: **Craig Pullen**

Telephone: **01235 547615**

Telephone: **01491 823544**

E-mail: **craig.pullen@southandvale.gov.uk**

Cabinet member responsible: **Councillor Matthew Barber**

Telephone: **07816 481452**

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

To: Audit and Governance Committee

DATE: 17 March 2014

Internal audit management report quarter four 2013/2014

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 2013/2014 audit plan up to 28 February 2014; and
 - to summarise the priorities for quarter one 2014/2015.
2. The contact officer for this report is Craig Pullen, Interim 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 20 March 2013.

Management issues

6. Interviews for the vacant auditor position were held on 24th February 2014 and we have appointed Kathleen Locke. Kathleen will join the team on 1st April 2014.

Progress against the 2013/2014 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 to date are as follows:

	Target	YTD	Q1 13/14	Q2 13/14	Q3 13/14	Q4 13/14
Chargeable (identifiable client and/or specific IA deliverable)	73%	73.5%	74.5%	69.5%	76.0%	73.0%
Non-Chargeable (corporate, not IA deliverable)	8%	7.5%	7.5%	5.5%	7.0%	12.0%
Lost (i.e. leave, study, sickness)	19%	19.0%	18.0%	25.0%	17.0%	15.0%

9. As at 28 February 2014 the status of audit work against the 2013/2014 audit plan is as follows:

Planned

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

2013/2014	Planned	Complete	Draft	In progress	To commence
PLANNED	30	22	1	7	0
Joint	26	19	1	6	0
SODC	3	3	0	0	0
VWHDC	1	0	0	1	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).

2013/2014	Requested	Complete	Draft	In progress	To commence
ADHOC	2	2	0	0	0
Joint	1	1	0	0	0
SODC	0	0	0	0	0
VWHDC	1	1	0	0	0

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.

2013/2014	Requested	Complete	Draft	In progress	To commence
FOLLOW-UP	38	24	0	10	4
SODC	20	13	0	5	2
VWHDC	18	11	0	5	2

Priorities for 2014/2015 quarter one (April 2014 – June 2014)

10. The priorities for quarter one are to:
- Complete 2013/14 planned work and commence 2014/15 planned audit work
 - Successfully integrate the new auditor into the team
 - Commence the review of outstanding recommendations
11. Remaining 2013/2014 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.

CRAIG PULLEN
INTERIM 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 28 February 2014													
JOINT													
Payroll (23 priority score)	Completed	32											
SODC			17.5		Satisfactory	6	0	0	3	3	3	3	0
VWHDC			17.5		Satisfactory	6	0	0	4	4	2	2	0
Disaster Recovery (21)	Completed	10											
SODC			5.0		Satisfactory	8	0	0	5	4	3	3	1
VWHDC			5.0		Satisfactory	7	0	0	6	5	1	1	1
Section 106 Commuted Sum/CIL (21)	In progress	20											
SODC			7.0										
VWHDC			7.0										
Housing & Council Tax Reduction Scheme (20)	Completed	30											
SODC			12.5		Full	0	0	0	0	0	0	0	0
VWHDC			12.5		Full	0	0	0	0	0	0	0	0
National Non-Domestic Rate (20)	Completed	24											
SODC			11.0		Full	2	0	0	1	1	1	1	0
VWHDC			11.0		Full	0	0	0	0	0	0	0	0
Council Tax (19)	Completed	24											
SODC			12.5		Full	1	0	0	0	0	1	1	0
VWHDC			12.5		Full	1	0	0	0	0	1	1	0
Creditor Payments (19)	Completed	20											
SODC			11.0		Full	1	0	0	1	1	0	0	0
VWHDC			10.5		Full	0	0	0	0	0	0	0	0
General Ledger (19)	Completed	20											
SODC			8.5		Satisfactory	5	0	0	1	1	4	4	0
VWHDC			8.5		Satisfactory	4	0	0	0	0	4	4	0
Sundry Debtors (19)	In progress	20											
SODC			9.0										
VWHDC			9.0										
Pro-Active Anti-Fraud Review (19)	In progress	16											
SODC			6.0										
VWHDC			6.0										
Cash Office (19)	In progress	10											
SODC			2.0										
VWHDC			2.0										

Business Continuity (19) SODC VWHDC	Completed	14	5.5 5.5		Satisfactory Satisfactory	8 8	0 0	0 0	6 6	6 6	2 2	2 2	0 0
Health & Safety (18) SODC VWHDC	Completed	20	8.0 8.0		Satisfactory Satisfactory	4 4	1 1	1 1	3 3	3 3	0 0	0 0	0 0
Treasury Management (17) SODC VWHDC	Draft issued	14	3.5 3.5	Audit work commenced in November 2013 and will complete in February 2014 to allow for sufficient testing data									
Capital Management and Accounting (17) SODC VWHDC	Completed	14	6.0 6.0		Satisfactory Satisfactory	6 4	0 0	0 0	0 0	0 0	6 4	6 4	0 0
Council Fees & Charges (17) SODC VWHDC	In progress	20	0.5 0.5										
Licensing (17) SODC VWHDC	Completed	20	12.5 12.0		Limited Limited	12 15	0 0	0 0	5 7	5 7	7 8	7 8	0 0
Lone Working/ Officer Security (16) SODC VWHDC	Completed	20	10.0 10.0		Satisfactory Satisfactory	6 4	0 0	0 0	3 2	2 1	3 2	3 2	1 1
Brown Bins (16) SODC VWHDC	Completed	20	9.5 9.5		Full Full	1 1	0 0	0 0	0 0	0 0	1 1	1 1	0 0
Post Room (including receipt of valuable items) (16) SODC VWHDC	Completed	20	7.0 7.0		Satisfactory Satisfactory	6 4	0 0	0 0	1 0	1 0	5 4	5 4	0 0
Intra Council Recharges (16) SODC VWHDC	Completed	20	8.5 8.5		Satisfactory Satisfactory	5 4	1 1	1 1	3 3	3 3	1 0	1 0	0 0
Temporary Accommodation (including rent deposit, rent in advance & rent accounting) (15) SODC VWHDC	Deferred to 2014/15	24	0.5 0.5										
Stock Control (15) SODC VWHDC	Completed	12	6.0 6.0		Satisfactory Satisfactory	6 4	0 0	0 0	3 2	3 2	3 2	3 2	0 0
RIPA (15) SODC VWHDC	Completed	10	3.5 3.5		Full Full	3 3	0 0	0 0	0 0	0 0	3 3	3 3	0 0
Credit Card Usage (14) SODC VWHDC	Completed	8	4.0 4.0		Satisfactory Satisfactory	5 3	0 0	0 0	2 0	2 0	3 3	3 3	0 0

HR Grievance Procedures (13)	In progress	14												
SODC			0.5											
VWHDC			0.5											
Environmental Health Food & Safety (8)	Completed	20												
SODC			11.0		Satisfactory	9	0	0	2	1	7	6	2	
VWHDC			11.0		Satisfactory	7	0	0	1	1	6	5	1	
SODC														
Community Loans Scheme (14)	Completed	4	4.0		Full	3	0	0	1	1	2	2	0	
Leader Project Grant Verification (9)	Completed	5	5.0		-	0	0	0	0	0	0	0	0	
VWHDC														
Wantage Civic Hall (14)	In progress	10	7.0											
IA PLANNED AUDIT TOTALS	-	515	412		Full	176	4	4	74	69	98	96	7	
					Satisfactory									
					Limited									
					Nil									

UNPLANNED WORK 2013/2014

CONSULTANCY

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
Banking Services Tender	Completed	2 days	N/A	S151 Officer
SODC				
None				
VWHDC				
None				

CONTINGENCY

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
None				
SODC				
None				
VWHDC				
S106 Calculated Sums	Completed	10 days	N/A	Chief Executive

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SYSTEM DEVELOPMENT

System Name	Status	Audit Allocation	Total Days Used	Requested By
JOINT				
None				
SODC				
None				
VWHDC				
None				

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							
Verification of budgets savings 2011/2012	0.5	Satisfactory	3	1	2	0	0
Discretionary grants	0.5	Satisfactory	4	3	0	0	1
Carbon management programme	0.5	Satisfactory	7	1	0	1	5
Seasonal leisure activities	0.5	Full	2	1	0	1	0
Information governance	0.5	Satisfactory	3	1	0	1	1
Data protection	0.5	Satisfactory	5	1	2	0	2
Mobile Home Parks	1	Satisfactory	9	5	1	3	0
Cornerstone	0.5	Satisfactory	6	4	1	1	0
Budgetary Control	0.5	Full	4	3	0	0	1
Development Management	0.5	Full	2	1	0	1	0
Receipt of Income	0.5	Satisfactory	2	1	0	0	1
VWHDC							
Verification of budget savings 2011/2012	0.5	Satisfactory	3	1	2	0	0
Discretionary grants	0.5	Limited	7	5	0	0	2
Carbon management programme	0.5	Satisfactory	7	1	0	1	5
Seasonal leisure activities	0.5	Full	2	2	0	0	0
Information governance	0.5	Satisfactory	3	1	0	1	1
Data protection	0.5	Satisfactory	5	1	2	0	2
Mobile Home Parks	1	Satisfactory	11	4	2	4	1
Budgetary Control	0.5	Full	2	2	0	0	0
Development Management	0.5	Full	1	1	0	0	0
Receipt of Income	0.5	Satisfactory	2	1	0	0	1

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FOLLOW UP AUDITS 2013/2014

System Name	Total Days Used	Original Audit Opinion Issued	Total No. of Recs Agreed	Implemented	Partly Implemented	Not Implemented	Ongoing
SODC							
Community Loans Scheme	0.5	Full	3	2	0	0	1
Lone Working & Officer Security	0.5	Satisfactory	5	1	0	4	0
VWHDC							
Lone Working & Officer Security	0.5	Satisfactory	3	0	0	3	0

Audit and Governance Committee Report



17 March 2014

Report of: **Interim Audit Manager**

Author: **Craig Pullen**

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Executive member responsible: **Councillor Matthew Barber**

Telephone: **07816 481452**

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

To: Audit and Governance Committee

DATE: 17 March 2014

Internal audit annual plan 2014/2015

Recommendation

That members approve the internal audit annual plan 2014/2015

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 2014/2015.
2. The contact officer for this report is Craig Pullen, Interim 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 2014/2015 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 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 2014/2015

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 2014/2015 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. The audit plan can be delivered from within the approved 2014/15 budget, therefore 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.

CRAIG PULLEN
INTERIM AUDIT MANAGER

DESCRIPTION (Analysis of Description Overleaf)	DAYS 2013/2014	DAYS 2014/2015
Total Days Available for Internal Audit Team	951	973
52x5x3 – Auditor x 3FTE	780	780
37x4 – Audit Manager 0.8FTE	60	148
15X3 – Audit Manager 0.6FTE (Maternity cover)	111	45
Total Lost Days for Internal Audit Team	181	179
Annual Leave Entitlement	121	115
Bank Holiday and Christmas Closure	40	44
Sick Leave	20	20
Total Non-Chargeable Days for Internal Audit Team	74	74
Training and Development	16	16
Admin/Corporate Issues	40	40
Team Meetings	18	18
Total Chargeable Days for Internal Audit Team	696	720
Audit Management	70	76
Adhoc Audit Advice (3 days each service area)	21	21
Consultancy/System Development (4 days each service area)	28	28
Contingency (Investigations) (5 days each service area)	35	35
Follow Up Work 2013/2014	7	10
Audit Plan 2014/2015	515	520
Follow Up Work 2014/2015	8	8
Town and Parish Councils	12	22
Total Lost + Non-Chargeable and Chargeable Days	951	973
Proportion of Chargeable Days	73%	74%
Proportion of Non-Chargeable Days	8%	8%
Proportion of Lost Days	19%	18%

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 8 January 2014)

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
HR, IT & Customer Services	Performance & Projects	Procurement	VWHDC	Medium	0	6	2009/2010	4	Limited	2	3	3	3	1	2	0	24	Will include VFM as an objective
HR, IT & Customer Services	Performance & Projects	Procurement	SODC	Medium	6	0	2009/2010	4	Satisfactory	1	3	3	3	1	2	0	23	Will include VFM as an objective
Finance	Payroll	Payroll	Joint	23	16	16	2013/2014	0	Satisfactory	1	3	3	3	3	3	0	22	
Legal & Democratic Services	Elections, Licensing & Local Land Charges	Elections & Elections Payments	SODC	N/A	13	0	2007/2008	6	Limited	2	1	2	3	2	2	0	21	Full elections in 2015/16 and so defer to Q3/4 2015/16
Health and Housing	Housing Needs/ Advice	Rent Accounting	VWHDC	15	0	10	2007/2008	6	Limited	2	3	1	3	1	1	0	21	Included with temporary Accomodation
Finance	Revenue & Benefits	Housing Benefits & Council Tax Reduction Scheme	Joint	20	15	15	2013/2014	0	Full	0	3	3	3	2	3	0	20	
Economy, Leisure & Property	Technical	Car Parks	Joint	Medium	10	10	2011/2012	2	Satisfactory	1	3	3	3	1	1	0	20	
Economy, Leisure & Property	Leisure	Leisure Centres	Joint	Medium	15	15	2010/2011	3	Limited	2	3	1	3	2	2	0	20	New contracts will commence Sept 2014, this audit will be undertaken in Q4
HR, IT & Customer Services	ICT	ICT	VWHDC	Medium	0	10	2010/2011	3	Limited	2	2	2	3	1	3	0	20	To defer to 2015/16 once new ICT system has been implemented
Legal & Democratic Services	Elections, Licensing & Local Land Charges	Elections & Elections Payments	VWHDC	N/A	0	13	2007/2008	6	Satisfactory	1	1	2	3	2	2	0	20	Full elections in 2015/16 and so defer to Q3/4 2015/16
Legal & Democratic Services	Elections, Licensing & Local Land Charges	Elections Payments	Joint	Medium	7	7	2011/2012	2	Satisfactory	1	3	3	2	1	2	0	20	Include with Elections
Finance	Revenue & Benefits	NNDR	Joint	20	10	10	2013/2014	0	Full	0	3	3	3	2	2	0	19	
Finance	Revenue & Benefits	Council Tax	Joint	20	10	10	2013/2014	0	Full	0	3	3	3	2	2	0	19	
Finance	Accountancy	General Ledger	Joint	19	10	10	2013/2014	0	Satisfactory	1	3	3	2	1	3	0	19	
Finance	Revenue & Benefits	Sundry Debtors	Joint	19	10	10	2013/2014	0	Satisfactory	1	3	3	2	2	2	0	19	
Finance	Accountancy	Insurance	VWHDC	22	0	10	2012/2013	1	Satisfactory	1	3	1	3	3	3	0	19	Very little testing possible in 2012/13 and confirmed no new claims in 2013/14 - AM does not consider that this area needs reviewing in 2014/15
Finance	Accountancy	Bank Reconciliation	Joint	High	10	10	2009/2010	4	Satisfactory	1	3	2	1	1	2	0	19	Reviewed as part of general ledger audit.
HR, IT & Customer Services	ICT	Groupwise/Exchange Procurement	Joint	Medium	4	4	2011/2012	2	Satisfactory	1	2	3	3	2	1	0	19	Specific one-off review.
Finance	Accountancy	Creditor Payments	Joint	19	10	10	2013/2014	0	Full	0	3	3	2	2	2	0	18	
Planning	Development	S106 Commuted Sums / CIL	Joint	21	6	6	2013/2014	0	Limited	2	3	2	3	2	1	0	18	Current year review.
Corporate Audits		Pro-Active Anti-Fraud Review	Joint	18	10	10	2013/2014	0	Satisfactory	1	3	3	2	1	2	0	18	
HR, IT & Customer Services	LSP	Cash Office	VWHDC	19	0	4	2013/2014	0	Limited	2	3	3	2	0	2	0	18	Current year review.
Finance	Accountancy	Insurance	SODC	22	10	0	2012/2013	1	Full	0	3	1	3	3	3	0	18	Very little testing possible in 2012/13 and confirmed no new claims in 2013/14 - AM does not consider that this area needs reviewing in 2014/15
HR, IT & Customer Services	Human Resources	Travel & Subsistence	Joint	Medium	10	10	2011/2012	2	Satisfactory	1	3	3	1	0	2	0	18	
HR, IT & Customer Services	ICT	ICT	SODC	Medium	10	0	2010/2011	3	Satisfactory	1	2	2	3	0	3	0	18	To defer to 2015/16 once new ICT system has been implemented
Legal & Democratic Services	Democratic Services	Anti-Fraud & Corruption Policies	Joint	High	8	8	2008/2009	5	Limited	2	1	3	2	0	1	0	18	
Finance	Capita	Cash Office	SODC	19	8	0	2013/2014	0	Satisfactory	1	3	3	2	0	2	0	17	Current year review.
Finance	Accountancy	Capital Management & Accounting	SODC	17	7	0	2013/2014	0	Limited	2	3	2	2	1	2	0	17	
Legal & Democratic Services	Elections, Licensing & Local Land Charges	Licensing	Joint	17	10	10	2013/2014	0	Limited	2	2	2	3	3	1	0	17	Current year review.
HR, IT & Customer Services	Performance & Projects	Ocella/Uniform ICT Procurement	Joint	Medium	4	4	2011/2012	2	Full	0	2	3	2	2	1	0	17	Specific one-off review.
HR, IT & Customer Services	Performance & Projects	Records Management	Joint	Low	7	7	2008/2009	5	Limited	2	1	1	3	1	2	0	17	Included in Information Governance
HR, IT & Customer Services	Performance & Projects	Contract Monitoring	VWHDC	Medium	0	10	2008/2009	5	Limited	2	1	1	2	2	2	0	17	
Finance	Accountancy	Time Management Across Both Councils	Joint	Medium	10	10	2010/2011	3	Satisfactory	1	3	1	1	1	3	0	17	Specific one-off review.
Finance	Accountancy	Bank Contract & Arrangements	SODC	N/A	4	0	2007/2008	6	Satisfactory	1	2	0	1	2	3	0	17	
HR, IT & Customer Services	ICT	Disaster Recovery	SODC	21	10	0	2013/2014	0	Satisfactory	1	3	1	3	1	3	0	16	Current year review.
Finance	Accountancy	Treasury Management	Joint	16	7	7	2013/2014	0	Full	0	3	2	2	2	2	0	16	
Finance	Accountancy	Capital Management & Accounting	VWHDC	16	0	7	2013/2014	0	Satisfactory	1	3	2	2	1	2	0	16	
Finance	Revenue & Benefits	Benefit Fraud	Joint	20	10	10	2012/2013	1	Full	0	3	2	3	1	1	0	16	Full assurance in 2012/13 - AM does not consider that this area needs reviewing in 2014/15
HR, IT & Customer Services	Performance & Projects	Contract Monitoring	SODC	Medium	10	0	2008/2009	5	Satisfactory	1	1	1	2	2	2	0	16	
Legal & Democratic Services	Elections, Licensing & Local Land Charges	Land Charges	SODC	N/A	10	0	2007/2008	6	Satisfactory	1	2	0	3	1	1	0	16	
Legal & Democratic Services	Democratic Services	Corporate Governance	VWHDC	Medium	0	10	2008/2009	5	Satisfactory	1	0	2	3	0	2	1	16	
Legal & Democratic Services	Democratic Services	Corporate Governance	SODC	Medium	10	0	2008/2009	5	Full	0	0	2	3	1	2	1	16	

Schedule of Auditable Activity (updated 8 January 2014)

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
Corporate Strategy	Policy & Engagement	Health & Safety	Joint	18	10	10	2013/2014	0	Satisfactory	1	2	1	3	3	2	0	15	Current year review.
Finance	Accountancy	Receipt of Income Arrangements	Joint	17	9	9	2012/2013	1	Satisfactory	1	3	2	1	0	2	0	15	Consider as one-site working
Legal & Democratic Services	Legal	RIPA	Joint	15	5	5	2013/2014	0	Full	0	2	1	3	3	2	1	15	
Corporate Strategy	Community Partnership	Partnership Performance Monitoring	Joint	Medium	10	10	2009/2010	4	Satisfactory	1	2	0	3	1	2	0	15	
Corporate Strategy	Waste	Waste Management and Recycling	Joint	Medium	10	10	2011/2012	2	Limited	2	3	0	3	1	1	0	15	
Corporate Strategy	Policy & Engagement	Consultation (Public & Staff)	Joint	Low	10	10	2008/2009	5	Limited	2	1	0	3	0	3	0	15	
Economy, Leisure & Property	Arts	Cornerstone	SODC	15	10	0	2012/2013	1	Satisfactory	1	3	0	3	1	3	0	15	Last audited in 2012/13 with follow-up in 2013/14 - AM does not consider that this needs to be reviewed
Finance	Accountancy	Verification of Budget Savings	Joint	Medium	10	10	2011/2012	2	Satisfactory	1	3	0	3	0	3	0	15	Specific one-off review.
HR, IT & Customer Services	Performance & Projects	Project Management	Joint	Medium	15	15	2010/2011	3	Satisfactory	1	2	1	2	1	2	0	15	
HR, IT & Customer Services	Human Resources	HR Recruitment Processes	Joint	High	10	10	2010/2011	3	Satisfactory	1	1	2	2	2	1	0	15	
Legal & Democratic Services	Democratic Services	Gifts and Hospitality	Joint	Low	5	5	2011/2012	2	Sats/Limited	1.5	1	2	3	1	1	0	14.5	
HR, IT & Customer Services	Performance & Projects	Business Continuity	SODC	N/A	10	0	2013/2014	0	Satisfactory	1	3	0	3	1	3	0	14	Current year review.
HR, IT & Customer Services	Performance & Projects	Business Continuity	VVHDC	18	0	9	2013/2014	0	Satisfactory	1	3	0	3	1	3	0	14	Current year review.
Finance	Accountancy	Budgetary Control	Joint	18	5	5	2012/2013	1	Full	0	3	1	3	0	2	0	14	
HR, IT & Customer Services	ICT	Disaster Recovery	VVHDC	17	0	10	2013/2014	0	Satisfactory	1	3	0	3	1	3	0	14	Current year review.
Corporate Strategy	Waste	Brown Bins	Joint	16	10	10	2013/2014	0	Full	0	3	1	3	1	2	0	14	Current year review.
Economy, Leisure & Property	Leisure	Wantage Civic Hall	VVHDC	14	0	10	2013/2014	0	Limited	2	2	2	2	0	1	1	14	Current year review.
Finance	Accountancy	Community Loans Scheme	SODC	14	4	0	2013/2014	0	Full	0	2	2	2	1	2	1	14	Requested by ACGC.
Finance	Accountancy	Credit Card Usage	Joint	14	4	4	2013/2014	0	Full	0	2	3	1	1	1	1	14	Requested by ACGC.
Finance	Accountancy	Petty Cash Procedures	Joint	Medium	5	5	2008/2009	5	Satisfactory	1	1	3	0	0	0	0	14	Consider as one-site working
Finance	Accountancy	Petty Cash Spot Checks	Joint	Low	3	3	2011/2012	2	Full	0	3	3	0	0	0	0	14	Consider as one-site working
HR, IT & Customer Services	Human Resources	HR Management	Joint	Low	10	10	2008/2009	5	Satisfactory	1	0	1	2	2	2	0	14	
HR, IT & Customer Services	Performance & Projects	Performance Management	Joint	Low	8	8	2008/2009	5	Satisfactory	1	1	0	3	1	2	0	14	
Health and Housing	Housing Needs/ Advice	Temporary Accommodation	VVHDC	14	0	12	2009/2010	4	Satisfactory	1	1	1	3	1	1	0	14	Deferred from 2013/14
Health and Housing	Housing Needs/ Advice	Temporary Accommodation	SODC	12	12	0	2009/2010	4	Satisfactory	1	1	1	3	1	1	0	14	Deferred from 2013/14
Finance	Accountancy	Council Fees and Charges	Joint	17	10	10	2013/2014	0	Limited	2	2	1	2	1	2	0	13	Current year review.
Corporate Audits		Lone Working/ Officer Security	VVHDC	16	0	10	2013/2014	0	Satisfactory	1	2	0	3	2	3	0	13	Current year review.
Corporate Strategy	Community Partnership	Discretionary Grants	VVHDC	13	0	8	2012/2013	1	Limited	2	2	1	3	0	1	0	13	
Corporate Strategy	Waste	Cleansing Services	SODC	N/A	8	0	2007/2008	6	Satisfactory	1	1	0	3	1	0	0	13	
Economy, Leisure & Property	Technical	Emergency Planning	Joint	16	5	5	2012/2013	1	Satisfactory	1	2	0	3	1	3	0	13	
Economy, Leisure & Property	Facilities	Facilities Management (Poppin)	Joint	Low	7	7	2011/2012	2	Satisfactory	1	2	1	2	0	2	0	13	
Health and Housing	Housing Needs/ Advice	Housing Allocations	Joint	15	10	10	2012/2013	1	Full	0	1	2	3	2	1	0	13	
Health and Housing	Environmental Protection	Environmental Protection	VVHDC	N/A	0	7	2007/2008	6	Satisfactory	1	1	0	3	1	0	0	13	
HR, IT & Customer Services	Performance & Projects	Data Protection	Joint	N/A	5	5	2012/2013	1	Satisfactory	1	1	1	3	3	1	0	13	
HR, IT & Customer Services	Performance & Projects	Risk Management	Joint	17	7	7	2012/2013	1	Satisfactory	1	2	1	3	0	2	0	13	
HR, IT & Customer Services	Human Resources	Establishment Listing	Joint	Medium	3	3	2011/2012	2	Limited	2	2	1	0	0	3	0	13	
HR, IT & Customer Services	Human Resources	Training & Development	SODC	N/A	18	0	2006/2007	7	Satisfactory	1	0	0	2	1	2	0	13	
HR, IT & Customer Services	Human Resources	HR Pro System & Annual Leave Entitlement	Joint	Low	7	7	2011/2012	2	Limited	2	2	1	0	1	2	0	13	
Economy, Leisure & Property	Facilities	Post Room	Joint	16	10	10	2013/2014	0	Satisfactory	1	2	2	1	0	2	0	12	Current year review.
Finance	Accountancy	Internal Recharges	Joint	16	8	8	2013/2014	0	Satisfactory	1	3	1	0	0	2	1	12	
Corporate Audits		Comments & Complaints Process	SODC	Low	8	0	2008/2009	5	Satisfactory	1	1	0	3	1	0	0	12	
Corporate Strategy	Community Partnership	Discretionary Grants	SODC	13	8	0	2012/2013	1	Satisfactory	1	2	1	3	0	1	0	12	
Economy, Leisure & Property	Economic Development	Leader Project Assurance	SODC	Medium	10	0	2010/2011	3	Satisfactory	1	3	0	1	0	1	0	12	
HR, IT & Customer Services	Human Resources	Car Loans	VVHDC	Medium	0	10	2010/2011	3	Satisfactory	1	2	1	1	1	0	0	12	
HR, IT & Customer Services	ICT	Land and Property Gazetter	VVHDC	Medium	0	7	2007/2008	6	Satisfactory	1	0	0	1	2	2	0	12	
HR, IT & Customer Services	Performance & Projects	Verification of Performance Indicators	Joint	Medium	10	10	2011/2012	2	Satisfactory	1	2	0	3	0	2	0	12	
Economy, Leisure & Property	Facilities	Stock Control	Joint	15	10	10	2013/2014	0	Satisfactory	1	2	2	1	0	1	0	11	
HR, IT & Customer Services	Human Resources	HR Grievance Procedures	Joint	13	10	10	2013/2014	0	Full	0	2	0	3	2	1	1	11	Current year review.
Corporate Audits		Comments & Complaints Process	VVHDC	Medium	0	10	2009/2010	4	Satisfactory	1	1	0	3	1	0	0	11	
Finance	Accountancy	Mortgages Administration	VVHDC	Medium	0	7	2010/2011	3	Limited	2	2	0	1	1	0	0	11	
Health and Housing	Environmental Protection	Pest Control	SODC	Low	5	0	2010/2011	3	Limited	2	1	0	3	1	0	0	11	
Planning	Building Control	Building Control	Joint	Low	5	5	2011/2012	2	Satisfactory	1	2	0	2	1	1	0	11	
Planning	Planning Policy	Planning Control	SODC	N/A	10	0	2012/13	1	Full	0	1	1	2	1	2	0	10	Include due to recent investigations and structural changes
Corporate Strategy	Policy & Engagement	Equalities and Diversity	Joint	Medium	8	8	2011/2012	2	Satisfactory	1	1	0	2	1	2	0	10	
Economy, Leisure & Property	Leisure	Seasonal Leisure Activities	Joint	21	6	6	2012/2013	1	Full	0	2	1	2	1	0	0	10	
Economy, Leisure & Property	Facilities	Stationery System	Joint	Low	6	6	2011/2012	2	Satisfactory	1	2	1	0	0	1	0	10	
Health and Housing	Housing Development & Regeneration	Housing Development	SODC	N/A	10	0	2007/2008	6	Satisfactory	1	0	0	3	0	0	0	10	
HR, IT & Customer Services	Performance & Projects	Information Governance	Joint	12	10	10	2012/2013	1	Satisfactory	1	0	0	3	2	3	0	10	
Economy, Leisure & Property	Economic Development	Leader Project Grant Verification	SODC	9	3	0	2013/2014	0	Full	0	3	0	1	0	1	1	9	Final year sign-off.
Economy, Leisure & Property	Economic Development	Tourism (Marketing Contract)	SODC	Low	5	0	2008/2009	5	Satisfactory	1	1	0	1	0	0	0	9	
Corporate Strategy	Waste	Oxfordshire Waste Partnership	VVHDC	Medium	0	10	2008/2009	5	Satisfactory	1	1	0	1	0	0	0	9	
Health and Housing	Environmental Protection	Stray Dogs Contract	VVHDC	Low	0	10	2010/2011	3	Satisfactory	1	1	0	2	1	0	0	9	
Health and Housing	Environmental Protection	Food & Safety	Joint	8	10	10	2013/2014	0	Satisfactory	1	1	0	3	1	1	1	9	Current year review.
HR, IT & Customer Services	ICT	Geographical Information Systems	Joint	Low	10	10	2008/2009	5	Satisfactory	1	0	0	0	1	2	0	9	
Legal & Democratic Services	Elections, Licensing & Local Land Charges	VFM from CCTV Contract	Joint	Low	10	10	2009/2010	4	Satisfactory	1	1	0	1	1	0	0	9	
Planning	Development	Planning Fees	Joint	Medium	7	7	2011/2012	2	Full	0	1	0	2	2	1	0	9	Included in Planning Control
Corporate Strategy	Waste	Oxfordshire Waste Partnership	SODC	Medium	10	0	2009/2010	4	Satisfactory	1	1	0	1	0	0	0	8	Finishes in March 2014

Schedule of Auditable Activity (updated 8 January 2014)

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
Corporate Strategy	Parks	Grounds Maintenance	Joint	Low	10	10	2011/2012	2	Satisfactory	1	1	0	2	1	0	0	8	
Corporate Strategy	Policy & Engagement	Carbon Management Programme	Joint	6	10	10	2012/2013	1	Satisfactory	1	1	0	2	0	1	0	7	
HR, IT & Customer Services	Performance & Projects	Freedom of Information	Joint	11	8	8	2012/2013	1	Satisfactory	1	0	0	3	2	0	0	7	
Economy, Leisure & Property	Facilities	Mobile Home Parks	Joint	16	12	12	2012/2013	1	Satisfactory	1	1	0	2	0	0	0	6	

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
Procurement	24	6	6
Payroll	22	16	16
Housing Benefits & Council Tax Reduction Scheme	20	15	15
Car Parks	20	10	10
Leisure Centres	20	15	15
NNDR	19	10	10
Council Tax	19	10	10
General Ledger	19	10	10
Sundry Debtors	19	10	10
Creditor Payments	18	10	10
Pro-Active Anti-Fraud Review	18	10	10
Travel & Subsistence	18	10	10
Anti-Fraud & Corruption Policies	18	8	8
Capital Management & Accounting	17	7	7
Contract Monitoring	17	10	10
Bank Contract & Arrangements	17	4	4
Treasury Management	16	7	7
Land Charges	16	10	10
Corporate Governance	16	10	10
Receipt of Income Arrangements	15	9	9
Partnership Performance Monitoring	15	10	10
Waste Management and Recycling	15	10	10
Project Management	15	13	13
Petty Cash	14	8	8
Temporary Accommodation	14	12	12
Development Management	10	10	10
TOTAL DAYS		260	260

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 DC

Year ending 31 March 2014

Audit Plan

17 March 2014



Audit and Governance Committee
Vale of White Horse District Council
Abbey House
Abingdon
Oxon
OX14 3JE

27 February 2014

Dear Member

Audit Plan

We are pleased to attach our audit plan which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2014 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 the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you on 17 March 2014 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mick West
Director
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 the Council with:

- ▶ Our audit opinion on whether the financial statements give a true and fair view of the financial position as at 31 March 2014 and of the income and expenditure for the year then ended
- ▶ A statutory conclusion on arrangements to secure economy, efficiency and effectiveness – the value for money conclusion

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 and value for money conclusion.
- ▶ Developments in financial reporting and auditing standards
- ▶ The quality of systems and processes
- ▶ Changes in the business and regulatory environment
- ▶ Management's views on all of the above

By considering these inputs, our audit is focused on the areas that matter. And by focusing on the areas that matter, our feedback is more likely to 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 section 2 and 3 of this report we provide more detail on our assessment of the risks that we reach the wrong opinion or value for money conclusion. In section 4 we provide detail of the certification work. Our audit process and strategy are set out in more detail in section 5, and summarised below.

As part of our planning we identified:

- ▶ Management overriding controls that otherwise appear to be operating effectively as a general significant risk based on the requirements of auditing standards
- ▶ The new arrangements for business rates and the implementation of a new asset management register as areas for audit attention in our financial statement work
- ▶ Managing finances as an area to keep under review in our value for money conclusion work

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 and have commenced our review and re-performance of their work.

There has been no change to the scope of our audit compared to previous audits.

Value for money conclusion

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

Certification work

There is no longer a requirement to certify business rates returns or the council tax benefits subsidy claims under Audit Commission certification arrangements.

2. Financial statements risks

We outline below our assessment of the key strategic or operational risks and the financial statement risks facing Vale of White Horse District Council, identified through our knowledge of the entity's operations and discussion with members and officers. A significant risk is an identified assessed risk of material misstatement that, in an auditor's judgement, requires special audit consideration.

Significant risks (including fraud risks)	Our audit approach
Risk of misstatement due to fraud and error	
As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ Reviewing accounting estimates for evidence of management bias; and ▶ Evaluating the business rationale for significant unusual transactions.

Other financial statement risks	Our audit approach
Localisation of National Non-Domestic Rates	
There have been changes in how the Council must account for business rates from 2013-14 following the localisation of the scheme. Council's must now account for provision for appeals. In addition there are new calculations and presentation of entries including tariffs/ top-ups	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Review of the controls and staff preparation ▶ Review and testing of the calculation of provisions and revised disclosures ▶
Asset Management – new asset register	
<p>The asset register is maintained on an Excel Spreadsheet, rather than an IT based register.</p> <p>The Council has introduced such a Fixed Asset register in 2013-14 and this will be used to produce entries in the financial statements.</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 2013-14 ▶ Understanding the arrangements for implementing the new system and how they are designed to address the risks ▶ Reviewing implementation including work by internal audit ▶ Testing roll forward of balances into the new module to ensure completeness and accuracy ▶ Testing the output from the system that underpins material transactions in the financial statements

Respective responsibilities in relation to fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place 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 risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ 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.

We will consider the results of the National Fraud Initiative and may make reference to it in our reporting to you.

3. Economy, efficiency and effectiveness

Our work will focus on whether there are proper arrangements in place:

- ▶ For securing financial resilience
- ▶ To secure economy, efficiency and effectiveness in the use of resources.

Our initial work includes:

- ▶ Discussions with officers
- ▶ Discussions with internal audit
- ▶ Reviewing reports and minutes
- ▶ Reviewing the risk register
- ▶ Our financial statements audit planning
- ▶ Attending the Audit and Governance Committee

At the date of this report we have identified no significant risks. These are risks that would require specific risk-based work to ensure we can issue a safe value for money conclusion. However, we have identified the following key area that we will consider to support our value for money conclusion.

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 Plan

4. Certification work

Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions. Certification work is not an audit.

The work necessary varies according to the value of the claim or return and the requirements of the government department or grant-paying body. Broadly for claims and returns:

- ▶ Below £125,000 - we carry out no work
- ▶ From £125,000 and £500,000 – we undertake limited tests to agree form entries to underlying records, but do not test the expenditure or data is eligible
- ▶ Over £500,000 - we plan and perform our work following the certification instruction. We assess the control environment for preparing the claim or return and decide how much we can rely on the controls. Based on our assessment, we tailor our approach to agree form entries to underlying records and test the expenditure or data is eligible.

We are planning to carry out certification work for the:

- ▶ Housing benefit scheme – based on previous experience we are planning to undertake the minimum procedures required by the Department for Work and Pensions in relation to the certification of the claim

Where possible we integrate our certification work with our opinion and other work. We also aim to rely on the work of internal audit and benefits staff where possible.

We will report to the Audit and Governance Committee the results of our certification work.

The Audit Commission has set a composite indicative fee for certification work for each body. The indicative fee is based on actual certification fees for 2011-12 adjusted to reflect the fact that a number of schemes will no longer require auditor certification, and incorporating a 40 per cent reduction.

The indicative fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

5. Our audit process and strategy

Objective and scope of our audit

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

- ▶ Financial statement
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources

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

Financial statements 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 the Whole of Government Accounts return

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 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.
- ▶ 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.

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
- ▶ 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
- ▶ Business rates
- ▶ Council tax
- ▶ General ledger transactions (including cash and bank transactions)
- ▶ Housing and council tax benefits
- ▶ Payroll
- ▶ Treasury management

Analytics

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

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests
- 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 and Governance Committee.

Internal audit

As in prior years, we will review internal audit plans and the results of work undertaken. We will reflect the findings from these reports, together with reports from other work completed in the year, in our detailed audit plan, where issues are raised that could impact the year-end financial statements.

We will seek to place reliance on the work of internal audit wherever possible in line with auditing standards.

Use of experts

We will utilise specialist EY resource, as necessary, to help us to form a view on judgments made in the financial statements.

Other procedures

We perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline as follows 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
- ▶ 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

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. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

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". We intend to treat misstatements less than £53,941 as clearly trivial. All uncorrected misstatements found above this amount will be presented to you in our year-end report.

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 is £61,939 together with an estimated fee of £17,600 for the certification of claims and returns.

Your audit team

The engagement team is led by Mick West, who has significant experience in the local government sector. Mick West is supported by Adam Swain 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.

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 and Governance Committee cycle in 2014. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

We will provide a formal report 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 Audit and Governance Committee Chairman as appropriate.

Following the conclusion of our audit we will prepare an annual audit 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 and Governance Committee timetable	Deliverables
High level planning:	January		Audit fee letter
Risk assessment and setting of scopes	January – March	March	Audit plan
Testing of routine processes and controls	March/April	July	Progress report (If required)
Value for Money Conclusion	February – June	July	Progress report (If required)
Year-end audit including WGA	July – September		
Reporting		September	Report to those charged with governance Audit report (including our opinion on the financial statements and value for money conclusion) Audit completion certificate
Reporting	January 2015	January 2015	Annual Audit Letter*
Grant Claims	January 2015	January 2015	Certification of Claims and Returns Annual Report 2013-14

* The Annual Audit Letter is issued prior to 30 November. As the Audit and Governance Committee does not meet until January 2015, we will endeavour to bring this to the September meeting, or send the letter to the section 151 officer to forward to Committee members ahead of the January 2015 Committee meeting.

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

6. Independence

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 the 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 ▶ An opportunity to discuss auditor independence issues

In addition, during the course of the audit, we are 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.

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 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 decision 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 Mick West, your audit engagement partner and the audit engagement team have not been compromised.

Other required communications

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 28 June 2013 and can be found here:

[UK 2013 Transparency Report](#)

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2013-14	Actual Fee 2012-13	Explanation of variance
Total audit fee – Code work	£61,939	£65,439	Additional fee of £3,500 charged in 2012-13 for work in relation to fixed assets
Certification of claims and returns*	£17,600	£19,750	Reduced for business rates return fee not subject to certification
Non-audit work	Nil	Nil	

*Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission.

The planned audit fee remains the scale fee set by the Audit Commission. The planned certification fee is the scale fee set by the Audit Commission. The scale fee does not reflect the exclusion of council tax benefits from the benefits subsidy claim. A reduction is anticipated.

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

- ▶ Officers meeting the agreed timetable of deliverables
- ▶ We are able to place reliance, as planned, on the work of internal audit
- ▶ The level of risk in relation to the audit of accounts is consistent with that in the prior year
- ▶ No significant changes being made by the Audit Commission to the use of resources criteria on which our conclusion will be based
- ▶ Our accounts opinion and value for money conclusion being unqualified
- ▶ Appropriate quality of documentation is provided by the audited body and audit queries addressed promptly
- ▶ 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 and Governance Committee of audited clients. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit including any limitations.</p>	Audit plan
<p>Significant findings from the audit</p> <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 ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the auditor's report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Report to those charged with governance
<p>Misstatements</p> <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 that are significant 	Report to those charged with governance
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Report to those charged with governance
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Report to those charged with governance
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Report to those charged with governance
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non- 	Report to those charged with

Required communication	Reference
<p>compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</p> <ul style="list-style-type: none"> ▶ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	governance
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit plan</p> <p>Report to those charged with governance</p>
<p>Going concern</p> <p>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 	<p>Report to those charged with governance</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Report to those charged with governance</p>
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<p>Annual report to those charged with governance summarising grant certification</p> <p>Annual audit letter if considered necessary</p>
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<p>Audit plan</p> <p>Report to those charged with governance and Annual audit letter if considered necessary</p>

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Audit and Governance Committee Report



Report of Interim Audit Manager

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To: Audit and Governance Committee

DATE: 17 March 2014

Business continuity and risk management update

Recommendation

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 20 March 2013. Since November 2013, the management of both business continuity and risk management has been transferred to internal audit. The audit manager has identified clear plans for the management of both services and it has been agreed with the Strategic Director and the Head of Finance that both services will be

monitored each quarter as required by the respective strategies until the Audit Manager returns from maternity leave at which point she will present her plans to Committee.

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. The joint Business Continuity Strategy 2013-2016 was approved by this Committee on 24 June 2013 and next requires updating in 2016.

Risk management

8. The council 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, although these are available on the Council's intranet.
9. The strategic management board is currently reviewing the strategic risk register to ensure it is up to date, the risks remain relevant and also if any further action is required. There are currently four strategic risks recorded:
 - partnerships
 - joint working arrangements
 - housing provision
 - recession
10. The joint Risk Management Strategy 2013-2016 was approved by this Committee on 24 June 2013 and next requires updating in 2016.

Financial, legal and any other implications

11. 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

12. 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.

13. The management of both business continuity and risk management will be reviewed when the audit manager returns from maternity leave and future plans will be presented to this committee.

Recommendation

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

Audit and Governance Work programme

containing Audit and Governance Committee work to be undertaken
1 March 2014 - 31 December 2014



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
Internal audit activity - fourth quarter 2013/14	Audit and Governance Committee 17 Mar 2014	Craig Pullen Tel. (01491) 823544 Email: craig.pullen@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 - fourth quarter 2013/14	Audit and Governance Committee 17 Mar 2014	Craig Pullen Tel. (01491) 823544 Email: craig.pullen@southandvale.gov.uk	The committee monitors the effectiveness of the internal audit each quarter.	To monitor the management of internal audit.	
Internal audit plan 2014/15	Audit and Governance Committee 17 Mar 2014	Craig Pullen Tel. (01491) 823544 Email: craig.pullen@southandvale.gov.uk	The council audits its services through the internal audit service.	To approve the internal audit plan for 2014/15.	

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
External auditor's report	Audit and Governance Committee 17 Mar 2014	Steve Bishop, Strategic Director and Section 151 Officer Tel. (01235) 540332 Email: steve.bishop@southandvale.gov.uk	The external auditor to bring a progress report.		
Business continuity and risk management update	Audit and Governance Committee 17 Mar 2014	Craig Pullen Tel. 01491 823544 Email: craig.pullen@southandvale.gov.uk			
Internal audit annual report 2013/14	Audit and Governance Committee 3 Jul 2014	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.	
Risk management and business continuity strategies	Audit and Governance Committee 3 Jul 2014	Craig Pullen Tel. 01491 823544 Email: craig.pullen@southandvale.gov.uk			

Item title	Meeting date	Lead officer	Why is it here?	Scope	Notes
External auditor's annual governance report 2013/14	Audit and Governance Committee 24 Sep 2014	Steve Bishop, Strategic Director and Section 151 Officer Tel. (01235) 540332 Email: steve.bishop@southandvale.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 2013/14	Audit and Governance Committee 24 Sep 2014	Bob Watson Tel. (01235) 540426 Email: bob.watson@southandvale.gov.uk	The council must produce a statement of accounts each year.	To approve the statement of accounts 2013/14.	
Annual governance statement 2013/14	Audit and Governance Committee 24 Sep 2014	Steve Culliford Tel. (01235) 540307 Email: steve.culliford@southandvale.gov.uk	The council is required to publish an annual governance statement.	To approve the annual governance statement.	
Treasury management outturn 2013/14	Audit and Governance Committee 24 Sep 2014	Bob Watson Tel. (01235) 540426 Email: bob.watson@southandvale.gov.uk	The committee is responsible for the scrutiny of the council's treasury management activity.	To consider the treasury management outturn for 2013/14.	
Comments and complaints 2013/14	Audit and Governance Committee 24 Sep 2014	David Buckle Tel. (01235) 540303 Email c/o: jeanette.cox@southandvale.gov.uk	The committee is responsible for monitoring the council's comments and complaints.	To review the comments and complaints received during 2013/14.	