

5. AUDIT COMMISSION BUSINESS

REPORT OF: Head of Finance
Contact Officer: Peter Stuart, Head of Finance, ICT and HR
Email: Peter.Stuart@midsussex.gov.uk Tel: 01444 477315
Wards Affected: All
Key Decision No

1. Purpose Of Report

The purpose of this report is threefold: to inform the Committee of the Audit Commission's Audit Plan for the 2011/12 audit, to present the 2010/11 Annual Report for the Certification of Claims and Returns, and finally, to present the 'Management Assurance' letter for the Committee's approval.

2. Recommendations

The Audit Committee is recommended to:

- a. **note the 2011/12 Audit Plan**
 - b. **note the 2010/11 Annual Report for the certification of Claims and Returns, and;**
 - c. **agree that the Chairman can sign the Management Assurance letter on behalf of the committee.**
-

3. 2011/12 Audit Plan

- 3.1 Attached at Annex 1 is the audit plan setting out the work that the Audit Commission intend to undertake for the audit of financial statements 2011/12. It is risk-based, and whilst the overall level of risk is stable, there are some specific risks listed on page 7 of the appendix, that are brought to the Committee's attention.
- 3.2 Members should note these specific areas, which are areas of particular application to Mid Sussex (as opposed to being of a significant nature) and seek reassurance from the District Auditor on the nature and extent of her reporting of her work in these areas.
- 3.3 Members are also asked to confirm they have no concerns over the extension of the District Auditor's appointment for a further two years.

4 Annual Report for the Certification of Claims and Returns

- 4.1 Annex 2 contains this report that sets out the findings from work to certify a number of grant claims and returns. It will be appreciated that grants are a significant income stream for the Authority and it is vitally important that we have claimed and accounted for that income correctly
- 4.2 The report makes clear that no issues were identified within the audits.

5 Letter of Management Assurance

- 5.1 This letter draws to the Committee's attention that the financial statements must be 'owned' by the committee and that whilst the statutory officer of the Council is ultimately responsible for the content of the accounts, there are some responsibilities that are shared.
- 5.2 The committee should be assured that the Head of Finance responds to a similar letter, and for your convenience, a response from the Chairman will be circulated. If Members have comments, suggestions and views on the content of the letter, and wish to make these known to the Chairman, that would be welcomed. The aim is for the Chairman to sign the letter by the end of April.

6 Financial implications

- 6.1 There are no financial implications arising from this report. .

7 Equalities implications

- 7.1 The report raises no implications of this nature.

8 Risk analysis

- 8.1 No material risks arise from this report

Background Papers

None

Audit plan

Mid Sussex District Council

Audit 2011/12



Contents

Introduction	3
Accounting statements and Whole of Government Accounts	4
Value for money	9
Key milestones and deadlines	10
The audit team	11
Independence and quality	12
Fees	14
Appendix 1 – Independence and objectivity	16
Appendix 2 – Basis for fee	18
Appendix 3 – Glossary	19

Introduction

This plan sets out the work for the 2011/12 audit. The plan is based on the Audit Commission's risk-based approach to audit planning.

Responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to you.

The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

I comply with the statutory requirements governing my audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice for local government bodies.

My audit does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

Accounting statements and Whole of Government Accounts

I will carry out the audit of the accounting statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB). I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view.

Materiality

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements and in forming my opinion. Materiality can be defined as 'information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement'.

Identifying audit risks

I need to understand the Council to identify any risk of material misstatement (whether due to fraud or error) in the accounting statements. I do this by:

- identifying your business risks, including assessing your own risk management arrangements;
- considering your financial performance;
- assessing internal control, including reviewing the control environment, the IT control environment and internal audit; and
- assessing the risk of material misstatement arising from the activities and controls within your information systems.

Identification of significant and specific risks

I have considered the additional risks that are relevant to the audit of the accounting statements and have set these out below. At this stage of my planning work I have not identified any significant risks. I am still completing my documentation and testing of the controls for the systems that feed material entries in the financial statements. I will inform you of any additional risks arising from this work.

Table 1: **Specific risks**

Risk	Audit response
<p>Heritage Assets</p> <p>The 2011/12 Code adopts the requirements of FRS 30 Heritage Assets. As this is a new requirement, there is a risk that you may not be able to identify and account for all heritage assets within the time available.</p> <p>A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that you hold and maintain principally for its contribution to knowledge and culture. For Mid Sussex District Council this may include historical monuments such as the Jill Windmill, museum artefacts or art works.</p>	<p>I will evaluate the management controls you have in place to recognise and value heritage assets. I will also undertake testing to check you have accounted for heritage assets in accordance with FRS 30 and the Code and the financial statements are materially stated.</p>
<p>Valuation of property, plant and equipment (PPE)</p> <p>The Code requires you to value PPE at fair value (with some exceptions). The valuation is a complex process and this means there is a risk the financial statements may be materially misstated because of:</p> <ul style="list-style-type: none"> ■ applying the wrong valuation basis; ■ failing to derecognise the carrying value of assets or components of assets that you replace or restore; ■ using inappropriate asset lives, residual values, or cost or fair value; or ■ failing to apply the Code's requirements for componentisation for depreciation purposes. 	<p>To gain assurance over the valuation of property, plant and equipment shown in your financial statements, I will:</p> <ul style="list-style-type: none"> ■ review your arrangements for instructing your valuer and controls over information provided to valuer; ■ carry out procedures to assess whether I can place reliance on the work of the valuer; ■ carry out tests of detail on valuations and associated depreciation calculations; and ■ use my own consulting valuer, Gerald Eve, to inform my review of your valuer.

Risk

IAS 19 – pension scheme assets and liabilities

Your financial statements will contain several material entries for retirement benefits, including the pension scheme assets and liabilities. The valuation of these items is a complex process and this means there is a risk the financial statements may be materially misstated

Related party transactions

As part of my 2010/11 work, I identified issues where some related party transaction forms were not returned. In previous years I found that although you keep a register of members' interests you do not compare this to the forms returned for completeness. As a result, there is a risk the related party disclosure in your financial statements may be incomplete.

Bank reconciliation

In 2010/11, I reported that you continued to experience issues with the timely completion of the bank reconciliation. There is a risk there may be unreconciled items at the year-end if the bank reconciliation is not performed completely, monthly.

Audit response

To gain assurance over the pension scheme assets and liabilities in the financial statements, I will:

- review management's arrangements for instructing the actuary and controls over information provided to the actuary;
- undertake procedures to rely on the work of the scheme actuary, Hymans Robertson, which include the use of my consulting actuary; and
- undertake tests to ensure you account for and disclose the pension scheme assets and liabilities within the financial statements.

To gain assurance over the related party disclosure in your financial statements I will:

- review your arrangements for 2011/12;
- review the related party transaction forms against the register of members' interests and against knowledge gained through the audit to identify if the disclosure in the financial statements is complete; and
- carry out more work if necessary.

I understand from officers the process has changed for 2011/12 and I will review this as part of my understanding of the cash and bank system. I will also review the year-end bank balance reconciliation in detail.

Testing strategy

My audit involves:

- review and re-performance of work of your internal auditors;
- testing of the operation of controls;
- reliance on the work of other auditors;
- reliance on the work of experts; and
- substantive tests of detail of transactions and amounts.

I have sought to:

- maximise reliance, subject to review and re-performance, on the work of your internal auditors; and
- maximise the work that I can undertake before you prepare your accounting statements.

Table 2 below shows the nature and timing of my proposed work:

Table 2: **Proposed work**

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Interim visit	Internal Audit is carrying out substantive testing on my behalf: <ul style="list-style-type: none"> ■ property, plant and equipment – ownership confirmation; ■ property, plant and equipment – physical verification; and ■ S106 agreements – classification of agreements. 	General ledger and journals Sales ledger IT access controls	None	None	Property, plant and equipment – ownership confirmation Property, plant and equipment – physical verification S106 agreements – classification of agreements

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Final visit	None		Pensions assets and liabilities – auditor to West Sussex Pension Fund	<p>Pensions liabilities and assets – Hymans Robertson, your actuary and PwC, my consulting actuary.</p> <p>Valuation of property, plant and equipment – your internal valuer and Gerald Eve, our own consulting valuer.</p> <p>Investments – Invesco, investment manager.</p> <p>Financial instrument disclosures – Sector, advisors</p>	<p>All material accounts balances and amounts</p> <p>Year-end feeder system reconciliations</p>

I will agree with you a schedule of working papers required to support the entries in the accounting statements.

Whole of Government Accounts

Alongside my work on the accounting statements, I will also review and report to the National Audit Office on your Whole of Government Accounts return. The National Audit Office specifies the extent of my review and the nature of my report.

Value for money

I am required to conclude on the Authority's arrangements to secure economy, efficiency and effectiveness.

I base my conclusion on your arrangements on two criteria, specified by the Commission. These relate to your arrangements for:

- securing financial resilience – focusing on whether you are managing your financial risks to secure a stable financial position for the foreseeable future; and
- challenging how you secure economy, efficiency and effectiveness – focusing on whether you are prioritising your resources within tighter budgets and improving productivity and efficiency.

Identification of significant risks

I am currently undertaking my planning for my VFM conclusion work. To date, I have identified the following risks that I will address through my work. If I identify additional risks, I will tell you about these risks and my planned audit work at the next Audit Committee meeting.

Table 3: **Specific risks**

Risk	Audit response	Separate audit output?
The main risk to financial resilience remains the continuing challenge of achieving a balanced budget over the medium term with reduced funding.	I will consider how you have managed your budget for 2011/12 given decreases in funding. I will also review your budget for 2012/13 and your medium term financial strategy to assess the realism and achievability of your plans.	I will report my findings in my annual governance report and annual audit letter

Key milestones and deadlines

The Council is required to prepare the accounting statements by 30 June 2012. I aim to complete my work and issue my opinion and value for money conclusion by 30 September 2012.

Table 4: **Proposed timetable and planned outputs**

Activity	Date	Output
Opinion: planning	March 2012	Audit Plan
Opinion: controls and early substantive testing	February/March 2012	Report to Audit Committee if necessary
Value for money	April 2012	Annual governance report
Opinion: receipt of accounts and supporting working papers	30 June 2012	N/a
Opinion: substantive testing	July/ August 2012	Annual governance report
Present annual governance report at the Audit Committee	25 September 2012	Annual governance report
Issue opinion and value for money conclusion	By 30 September 2012	Auditor's report
Summarise overall messages from the audit	October 2012	Annual audit letter

The audit team

The key members of the audit team for the 2011/12 audit are as follows.

Table 5: **Audit team**

Name	Contact details	Responsibilities
Helen Thompson District Auditor	helen-thompson@audit-commission.gov.uk 0844 798 1790	I am responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with the Chief Executive.
Emma Bryant Audit Manager	e-bryant@audit-commission.gov.uk 0844 798 1792	Emma manages and coordinates the different parts of the audit work. She is the key point of contact for the Head of Finance and ICT.

Independence and quality

Independence

I comply with the ethical standards issued by the APB and with the Commission's additional requirements for independence and objectivity as summarised in appendix 1.

I need to bring the following matter to your attention. District Auditors are normally appointed for 5 years. Appointments can be extended for a further two years if the auditor and the Audit Committee are satisfied there are no risks relating to long association and that this is necessary to safeguard audit quality. 2011/12 will be the sixth year of my appointment at Mid Sussex District Council. I am satisfied there are no independence risks posed by my extension for a further two years. I believe that it would be detrimental to audit quality to make a change in District Auditor at this time. The Director of Audit Policy and Regulation at the Audit Commission has approved my request for an extension, but the Audit Committee also needs to approve it.

Quality of service

I aim to provide you with a fully satisfactory audit service. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director – Standards & Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any complaint promptly and to do what he can to resolve the position.

If you are still not satisfied you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

Fees

The fee for the audit is £110,815, as set out in my letter of 1 March 2011.

The audit fee

The Audit Commission has set a scale audit fee of £110,815 which represents a 5% decrease on scale fee for 2010/11.

The scale fee covers:

- my audit of your accounting statements and reporting on the Whole of Government Accounts return; and
- my work on reviewing your arrangements for securing economy, efficiency and effectiveness in your use of resources.

The scale fee reflects:

- the Audit Commission's decision not to increase fees in line with inflation;
- a decrease resulting from the new approach to local VFM audit work; and
- a decrease following the one-off work associated with the first-time adoption of International Financing Reporting Standards (IFRS).

Variations from the scale fee only occur where my assessments of audit risk and complexity are significantly different from those reflected in the 2010/11 fee. I have not identified significant differences and have therefore set the fee equal to the scale fee.

Assumptions

In setting the fee, I have made the assumptions set out in appendix 2. Where these assumptions are not met, I may need to undertake more work and therefore increase the audit fee. Where this is the case, I will discuss this first with Head of Finance and ICT and I will issue a supplement to the plan to record any revisions to the risk and the impact on the fee.

Specific actions you could take to reduce your audit fee

The Audit Commission requires me to inform you of specific actions you could take to reduce your audit fee. I will inform you of any actions I identify.

Total fees payable

As well as the fee for the audit, the Audit Commission will charge fees for:

- certification of claims and returns; and
- the agreed provision of non-audit services under the Audit Commission's advice and assistance powers.

Based on current plans the fees payable are as follows:

Table 6: Fees

	2011/12 proposed	2010/11 actual	Variance
Audit ⁱ	£110,815	£128,640	£(17,825)
Certification of claims and returns ⁱⁱ	£26,920	£20,407	£6,513
Non-audit work	£0	£0	£0
Total	£137,735	£149,047	£(11,312)

ⁱ The 2010/11 audit incurred an additional fee of £12,000. I experienced some difficulties in undertaking the audit of the IFRS restated accounts and 2010/11 financial statements because your work to restate the accounts slipped significantly. I noted a number of errors in the draft accounts and some of these were material. Delays in providing key working papers to support the financial statements also caused difficulties. The scale fee for 2010/11 was £116,640.

ⁱⁱ The fee shown for certification of claims and returns for 2011/12 is an estimate based on work undertaken in 2009/10. The actual fee may be less than estimated. The Audit Commission Act requires me to charge fees for certification work that cover the full cost of the work. The Audit Commission sets a schedule of hourly rates for different levels of staff and the final fee for this work is dependent on the work undertaken and the grades of staff used to deliver the work.

Appendix 1 – Independence and objectivity

Auditors appointed by the Audit Commission must comply with the Commission’s Code of Audit Practice and Standing Guidance for Auditors. When auditing the accounting statements, auditors must also comply with professional standards issued by the Auditing Practices Board (APB). These impose stringent rules to ensure the independence and objectivity of auditors. The Audit Practice puts in place robust arrangements to ensure compliance with these requirements, overseen by the Audit Practice’s Director – Standards and Technical, who serves as the Audit Practice’s Ethics Partner.

Table 7: **Independence and objectivity**

Area	Requirement	How we comply
Business, employment and personal relationships	<p>Appointed auditors and their staff should avoid any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.</p> <p>The appointed auditor and senior members of the audit team must not take part in political activity for a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.</p>	<p>All audit staff are required to declare all potential threats to independence. Details of declarations are made available to appointed auditors. Where appropriate, staff are excluded from engagements or safeguards put in place to reduce the threat to independence to an acceptably low level.</p>

Area	Requirement	How we comply
Long association with audit clients	The appointed auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional consideration of threats to independence after five years.	The Audit Practice maintains and monitors a central database of assignment of auditors and senior audit staff to ensure this requirement is met.
Gifts and hospitality	The appointed auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.	All audit staff are required to declare any gifts or hospitality irrespective of whether or not they are accepted. Gifts and Hospitality may only be accepted with line manager approval.
Non-audit work	<p>Appointed auditors should not perform additional work for an audited body (that is work above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might result in a reasonable perception that their independence could be compromised.</p> <p>Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.</p> <p>Work over a specified value must only be undertaken with the prior approval of the Audit Commission's Director of Audit Policy and Regulation.</p>	All proposed additional work is subject to review and approval by the appointed auditor and the Director – Standards and Technical, to ensure that independence is not compromised.

Code of Audit Practice, Audit Commission Standing Guidance and APB Ethical Standards

Appendix 2 – Basis for fee

In setting the fee, I have assumed the following.

- the risk to the audit of the accounting statements is not significantly different to that identified for 2010/11. For example:
 - internal controls are operating effectively; and
 - I secure the co-operation of other auditors.
- the risk to my value for money responsibilities is not significantly different to that identified for 2010/11.
- Internal Audit meets professional standards.
- Internal Audit undertakes sufficient appropriate work on all systems that provide material figures in the accounting on which I can rely.
- senior officers undertake a robust quality assurance process before providing me with the draft financial statements
- the Council provides:
 - good quality working papers and records to support the accounting statements and the text of the other information to be published with the statements by 30 June 2012;
 - other information sought within agreed timescales; and
 - prompt responses to draft reports.
- local government electors do not ask any questions or make any objections to the financial statements.

Where these assumptions are not met, I will have to undertake more work which is likely to result in an increased audit fee.

Appendix 3 – Glossary

Accounting statements

The annual statement of accounts that the Council is required to prepare, which report the financial performance and financial position of the Council in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Annual Audit Letter

Report issued by the auditor to the Council after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the accounting statements presented to those charged with governance before the auditor issues their opinion and conclusion.

Annual Governance Statement

The annual report on the Council's systems of internal control that supports the achievement of the Council's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Group accounts

Consolidated accounting statements of a Council and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Council establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the accounting statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the accounting statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the accounting statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the accounting statements, which do not necessarily affect their opinion on the accounting statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the accounting statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Council. This term includes the members of the Council and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Council must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its accounting statements.

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



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February 2012

Certification of claims and returns - annual report

Mid Sussex District Council

Audit 2010/11



Contents

- Introduction.....3
- Summary of my 2010/11 certification work.....4
- Results of 2010/11 certification work.....5
- Summary of recommendations6
- Summary of certification fees7

Introduction

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. My certification work provides assurance to grant-paying bodies that claims for grants and subsidies are made properly or that information in financial returns is reliable. This report summarises the outcomes of my certification work on your 2010/11 claims and returns.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. Where such arrangements are made, certification instructions issued by the Audit Commission to its auditors set out the work auditors must do before they give their certificate. The work required varies according to the value of the claim or return and the requirements of the government department or grant-paying body, but in broad terms:

- for claims and returns below £125,000 the Commission does not make certification arrangements and I was not required to undertake work;
- for claims and returns between £125,000 and £500,000, I undertook limited tests to agree form entries to underlying records, but did not undertake any testing of eligibility of expenditure; and
- for claims and returns over £500,000 I planned and performed my work in accordance with the certification instruction to assess the control environment for the preparation of the claim or return to decide whether or not to place reliance on it. Depending on the outcome of that assessment, I undertook testing as appropriate to agree form entries to underlying records and test the eligibility of expenditure or data.

Claims and returns may be amended where I agree with your officers that this is necessary. My certificate may also refer to a qualification letter where there is disagreement or uncertainty, or you have not complied with scheme terms and conditions.

Summary of my 2010/11 certification work

The Authority has performed well in preparing claims and returns.

My work did not identify any amendments to your claims and returns for the year ended 31 March 2011. I did not issue any qualification letters with the certificates on your claims and returns.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified	£75,054,394
Number of claims and returns amended due to errors	0
Number of claims and returns where I issued a qualification letter because there was disagreement or uncertainty over the content of the claim or return or scheme terms and conditions had not been complied with	0
Total cost of certification work	£20,407

Results of 2010/11 certification work

This section summarises the results of my 2010/11 certification work and highlights the significant issues arising from that work.

Table 2: Claims and returns above £500,000

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made	Was a qualification letter issued?
Housing and council tax benefit scheme	£35,498,223	No – my approach to certification of the benefits claim is prescribed.	£0	No
National non-domestic rates return	£39,208,171	Yes	£0	No

Table 3: Claims between £125,000 and £500,000

Claim or return	Value of claim or return presented for certification (£'000)	Value of any amendments made	Qualification letter
Disabled facilities grant	£348,000	£0	No

Summary of recommendations

This section considers the progress made in implementing recommendations I have previously made, the recommendations arising from my certification work this year and the actions agreed for implementation.

I do not have any recommendations in respect of your claims and returns for the year ending 31 March 2011. I did not make any recommendations in my report last year.

Summary of certification fees

This section summarises the fees arising from my 2010/11 certification work and highlights the reasons for any significant changes in the level of fees from 2009/10.

Table 4: Summary of certification fees

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Housing and council tax benefit scheme	£17,833	£15,089	I used a richer skill mix for the delivery of the 2010/11 claim.
National non-domestic rates return	£1,108	£5,861	I was able to take a controls based approach to the certification of the claim in 2010/11.
Disabled facilities	£423	£460	
Reporting and management	£1,043	£1,284	Small variations are expected as grant claim work is charged to cover the cost of certification.
Total	£20,407	£22,694	

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The Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body.



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January 2012

Our reference SU11412A/EB

27 February 2012

Mr A Lea
Chairman, Audit Committee
Mid Sussex District Council
Oaklands
Oaklands Road
Haywards Heath
West Sussex RH16 1SS

Direct line 0844 798 1790
Email helen-thompson@audit-
commission.gov.uk

Dear Mr Lea,

Audit of Mid Sussex District Council Financial Statements for the year ended 31 March 2012 - understanding how the Audit Committee gains assurance from management

I have a good knowledge of how the Audit Committee, as those charged with governance, gains assurance over management processes and arrangements. This enables me to deliver an efficient audit that reduces the time your officers spend on audit queries.

As auditing standards require me to update my understanding annually, I ask that you provide a response to the following questions. Where your response to questions 2 to 5 is 'yes', please provide details.

1) How do you exercise oversight of management's processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments)?;
- identifying and responding to risks of fraud in the Council, including: specific risks of fraud which management have identified or that have been brought to its attention, classes of transactions, account balances or disclosures for which a risk of fraud is likely to exist?;
- communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Council's code of conduct)?; and
- communicating to you the processes for identifying and responding to fraud or error?.

2) Are you aware of any breaches of internal control during 2011-12? How do you oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?

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Chichester, West Sussex, PO19 8EZ
T 0844 798 1790 F 0844 798 1705 www.audit-commission.gov.uk

3) Are you aware of any instances of non-compliance with relevant laws and regulations during 2011-12? How do you gain assurance that all relevant laws and regulations have been complied with?

4) Are you aware of any actual or potential litigation or claims that would affect the 2011/12 financial statements?

5) Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern?

In addition to the above questions, Appendix 1 sets out eight questions about your views on fraud. Your responses will inform my assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of my audit work.

I would be grateful for a response by 30 April 2012. Please contact me if you wish to discuss this request.

Yours sincerely

Helen Thompson
District Auditor

cc – Peter Stuart, Head of Finance and ICT

Appendix 1

No.	Questions for management	Those charged with governance response
1	Are you aware of any instances of actual, suspected or alleged fraud during the period 1 April 2011 – 31 March 2012?	
2	<p>Do you suspect fraud may be occurring?</p> <p>Have you identified specific fraud risks within the Council?</p> <p>Do you have any concerns that there are areas within the Council that are at risk of fraud?</p> <p>Are there particular locations within the Council where fraud is more likely to occur?</p>	
3	<p>Are you satisfied that internal controls, including segregation of duties, exist and work effectively?</p> <p>If not where are the risk areas?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p>	
4	<p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns about fraud are staff expected to report?</p>	
5	<p>From a fraud and corruption perspective, what are considered to be high risk posts within the Council?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	
6	<p>Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	
7	<p>Are you aware of any entries made in the accounting records of the Council that you believe or suspect are false or intentionally misleading?</p> <p>Are there particular balances where fraud is more likely to occur?</p>	

	<p>Are you aware of any assets, liabilities or transactions that you believe are improperly included or omitted from the accounting records of the Council?</p> <p>Could a false accounting entry escape detection? If so, how?</p> <p>Are there any external fraud risk factors, such as accounts payable and accounts receivable, which are high risk of fraud?</p>	
8	<p>Are you aware of any organisational or management pressure to meet financial or operating targets in the Council?</p>	

6. STATUS REPORT ON ACTION PLAN OF AUDIT RECOMMENDATIONS

REPORT OF: Head of Finance
Contact Officer: Peter Stuart
Email: peter.stuart@midsussex.gov.uk Tel: 01444 477315

Wards Affected: All
Key Decision No

Purpose Of Report

1. To update the Committee on the progress made in implementing the recommendations set out in the Audit Commission's Annual Governance Report 2010/11.

Summary

2. The recommendations have all been actioned where appropriate, or will be actioned as part of the final accounts process 2011/12. Appendix A summarises the progress to date on the implementation of these recommendations.

Recommendations

3. **The Audit Committee is asked to receive the report and note the progress made in implementing the recommendations.**
-

Background

4. At the September Audit Committee, Members received the Annual Governance report for 2010/11, which detailed the findings from the audit of the 2010/11 Accounts.
5. At the meeting, the District Auditor tabled a number of Appendices to their report, including Appendix 5 - Action Plan, which had been updated since the circulation of the original papers to the Committee. This contained 11 recommendations for action by officers.
6. Since that time, work has progressed on implementing the recommendations, and this report provides the latest update within the Action Plan set out in Appendix A of this report.

Financial Implications

7. This report does not have any financial effects.

Risk Management Implications

8. It is not considered that the recommendations within this report change the level of risk to which the Council is exposed.

Equality and customer service implications

9 This report has no implications for either customer service or equalities..

Other Material Implications

10 None.

Background Papers

Annual Government Report 2010/11
Minutes of Audit Committee Meeting 13th December 11

Audit Commission Recommendation		Responsibility	Date	Comments / Progress to date
Recommendation 1	Reconcile the bank balance regularly and clear any unreconciled items.	Chief Accountant	1 October 2011	<p>Responsibility for this process has been moved and the automated system brought into use.</p> <p>Since the automated system was re-started, reconciliation of the bank statement to the Council's cash receipting system (Icon) has been completed on a daily basis. However, the further reconciliation to the general ledger needs to be completed outside of this system.</p> <p>A strategy has been established to achieve this but at present, full implementation is not yet complete. As an interim measure, the manual spreadsheet reconciliation system is on-going, such that the months of September, October, December, January and February have now been successfully reconciled. The other three months only have minor discrepancies.</p> <p>The spreadsheet reconciliation will be carried out between the daily bank statement and general ledger transactions on a monthly basis until the automated system is fully implemented.</p>
Recommendation 2	Members should ensure that declaration of interest returns are completed as I am required to undertake further work if the forms are not returned.	All Members	2011/12 Accounts	<p>District Council elections meant that some ex-Members did not feel it necessary to make a return.</p> <p>No action required at present</p>

Appendix A

Audit Commission Recommendation		Responsibility	Date	Comments / Progress to date
Recommendation 3	Ensure all control account reconciliations are prepared on a timely basis and subject to independent review.	Chief Accountant	1/12/2011	Responsibility for this process has been moved with effect from September 2011. This covers a number of reconciliations and the current position is as follows: NNDR, Council Tax, Creditors, Debtors, Mortgages, Personal Loans, Payroll, Benefits and Treasury Management reconciliations completed to 31/01/12; Bank Reconciliation (refer recommendation 1 above)
Recommendation 4	Consider introducing and implementing an end user policy to mitigate the risk of data loss or manipulation.	Head of Census ICT	1/12/2011	A verbal update will be given to the meeting.

Appendix A

Audit Commission Recommendation		Responsibility	Date	Comments / Progress to date
Recommendation 5	Nominate one officer to take overall responsibility for the completion of the accounts and working papers including undertaking an overall consistency and additions check and reviewing the statements against the Code disclosure checklist.	Chief Accountant	Immediate	Responsibility for this process has been moved with effect from September 2011.
Recommendation 6	Develop and agree a componentisation policy for your asset portfolio.	Chief Accountant	31/3/2012	Work has been on-going with our in-house Valuer over the Winter. This work is now completed, resulting in the development of an agreed componentisation policy for the Council's asset portfolio. A copy of this Componentisation Policy is detailed in Appendix B for information.
Recommendation 7	Apply the agreed componentisation policy across your asset portfolio to comply with the requirements of IAS 16.	Chief Accountant	31/3/2012	This work has now been completed, resulting in the application of our Componentisation policy across our asset portfolio, as part of the 2011/12 accounts preparations.

Appendix A

Audit Commission Recommendation		Responsibility	Date	Comments / Progress to date
Recommendation 8	Review the useful economic life of assets as part of the full revaluation for 2011/12 to ensure that these are correct and reasonable.	Chief Accountant	31/3/2012	Work has been on-going with our in-house Valuer over the Winter. This work has now been completed, and the Valuation Certificate was signed on 20 th February 2012.
Recommendation 9	Exclude trust fund amounts from next year's financial statements	Chief Accountant	31/3/2012	Discussions have started and re-coding will be addressed as part of the final accounts process.
Recommendation 10	Locate contracts for all s106 agreements and review these to ensure they are correctly classified	Chief Accountant	31/3/2012	Location of contracts for all s106 agreements was completed by 23 rd December 2011. Review to ensure they are correctly classified has now been completed. Brought forward balances and in-year transactions have also been recoded to reflect correct classification of all s106s.
Recommendation 11	Review all s106 contracts where conditions have been identified to ensure that the conditions are understood and agreements are correctly classified	Chief Accountant	31/3/2012	The review of all s106 contracts, where conditions have been identified to ensure that the conditions are understood and agreements are correctly classified, was completed by 23 rd December 2011. Brought forward balances and in-year transactions have now been recoded to reflect correct classification of all s106s.

MSDC Policy for Componentisation of Assets

General background on the approach to Valuation of Assets at MSDC

The Council revalues all assets on an annual basis. All revaluations are undertaken by a FRICS qualified valuer with specialist advice as appropriate. For Mid Sussex District Council, this service is provided by the in-house at present..

As part of the revaluation exercise, the useful life of each asset is assessed by the Valuer. The sources of information and assumptions made in producing the various valuations at the start of the year are set out in a valuation certificate and report. Further details of the methods of revaluation (e.g. Existing Use Value (EUV), depreciated replacement cost (DRC) applied are set out in the Accounting Policies section of the Council's Statement of Accounts. In addition, the Valuer is also responsible for the completion of an annual impairment review.

Basis for Componentisation

The Code Requirements:

The CIPFA /LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) follows the component accounting requirements set out in IAS16. The Code defines components that require to be depreciated separately in the context of those having a 'cost that is significant in relation to the total cost of the asset'.

The Code requires the authority to adopt new accounting policies in respect of componentisation and de-recognition of components from 1 April 2010, and to apply these policies prospectively from that date. For MSDC, the basis of componentisation of Assets and limits are set out below:

- All assets with values of over £500k before depreciation have been deemed to be material and considered for componentisation. i.e. It has been considered whether any part of these assets should have a different useful life or method of depreciation.
- Each asset has been reviewed individually. The assets that are required to be componentised in line with our policy are the Leisure Centres and Civic Halls. These 5 assets have been split into the following four components
 - Land
 - Structure
 - Roof
 - Services / externals (including boilers, heating systems, lifts)

These assets are valued on a Depreciated Replacement Cost (DRC) basis.

Pavilions:

For Mid Sussex, Pavilions are valued individually on a DRC basis. In relation to componentisation, they have similar characteristics and have been considered collectively for their impact on depreciation calculations. (total value around £3m). To explain further, each Pavilion is valued less than £500k, and therefore falls below the trigger value for componentisation. In addition, examination of individual Pavilions has identified that the land value forms an insignificant part of the asset, and there are no parts of the building of a value significant enough to warrant separate componentisation.

Existing Use Value (EUV) assets

Where EUV is the basis for valuing the overall item, judgement has been applied, and componentisation has not been undertaken. The component parts are not sufficiently separable under this valuation method.

Finance Business Unit, February 2012

7. INTERNAL AUDIT – MONITORING REPORT 14^h March 2012

Report from: Audit Manager
Contact Officer: Ben Durrant, HW Controls & Assurance LLP
Email: ben.durrant@midsussex.gov.uk
Tel: (01444) 477241
Wards Affected: All
Key Decision No

1. PURPOSE OF REPORT

The purpose of this report is twofold; to update the Committee on the progress of the 2011-2012 Internal Audit Plan and to report on the progress made in implementing previously agreed recommendations.

2. SUMMARY

- 2.1 The audit plan for this year provides for a mix of coverage on fundamental systems, IT systems and service systems, which have been identified as potential risk areas. Appendix A summarises the progress to date.
- 2.2 Appendix B provides an update on the implementation of previously agreed recommendations.

3. RECOMMENDATIONS

The Audit Committee is asked to receive the report.

4. REPORT TO AUDIT COMMITTEE

Progress on implementing previous recommendations

- 4.1 The outstanding recommendations from previous Internal Audit reports have been reviewed, with the latest situation and relevant comments included in Appendix B.

Progress against the 2011-12 Internal Audit plan as at 14th March 2012

- 4.2 In line with the audit programme for the current year we have completed and issued the following reports;
- Resource Link IT Application;
 - Emergency Planning;
 - Debt Recovery;
 - Employee Loans & Mortgages;
 - Dog Warden & Pest Control;
 - Insurance;
 - Abandoned Vehicles;
 - Car Parks;

- Elections & Electoral Management;
- Income Collection (Cashiers);
- Treasury Management;
- Sundry Debtors;
- Capital Accounting and Asset Management;
- Budgetary Control;
- Anti Fraud and Corruption; and
- Disabled Facilities Grants.

- 4.3 There were no high priority recommendations for any of these audits.
- 4.4 Additionally, in line with our cooperative working arrangements with Adur and Horsham Councils we have completed the review of NNDR for the three authorities in the CenSus Partnership. A draft report has been issued and we are were awaiting a management response at the time of writing this report.
- 4.5 The Internal Auditors from Adur have reviewed Housing Benefits. One high priority recommendation was raised for this audit to address weaknesses identified at Adur and Horsham only.
- 4.6 The Internal Auditors from Horsham have reviewed Council Tax. At the time of writing this report, the final report for this audit had not yet been issued.

Background Papers

Internal Audit reports relating to 2011-2012
Working papers relating to 2011-2012.

**Mid Sussex District Council
Internal Audit Plan 2011/12
Progress Report 14th March 2012**

Audit Area	Rating	Budget/ Days	Provisional Timing – commencing	Fieldwork Commenced	Draft Report Issued	Management Responses Received	Target date for issue of Final	Final Report Issued	High Findings Reported to Audit Committee	Comments
Fundamental Systems										
NNDR – CenSus Partners	High	25	Qtr 3	Oct 2011	23 Feb 2012					
Council Tax – CenSus Partners	High	N/A	Qtr 3	Nov 2011	N/A	N/A	N/A			
Housing Benefits – CenSus Partners	High	N/A	Qtr 3	Nov 2011	N/A	N/A	N/A	9 Feb 2012	N/A	
Payroll	High	5	Qtr 4	Jan 2012						
Income Collection (Cashiers)	High	10	Qtr 3	Nov 2011	20 Dec 2011	21 Dec 2011	30 Dec 2011	21 Dec 2011	N/A	
Treasury Management	High	5	Qtr 4	Feb 2012	23 Feb 2012	27 Feb 2012	5 Mar 2012	28 Feb 2012	N/A	
Payments (Creditors)	High	5	Qtr 4	Feb 2012						
Sundry Debtors	High	5	Qtr 3	Nov 2011	4 Jan 2012	4 Jan 2012	11 Jan 2012	12 Jan 2012	N/A	
Capital Accounting & Asset Management	Medium	7	Qtr 4	Jan 2012	23 Feb 2012	27 Feb 2012	5 Mar 2012	28 Feb 2012	N/A	
Budgetary Control	Medium	4	Qtr 4	Jan 2012	23 Jan 2012	23 Jan 2012	30 Jan 2012	25 Jan 2012	N/A	
Computer Audit										
Resource Link - Payroll	High	4	Qtr 1	June 2011	24 Aug 2011	21 Sept 2011	5 Oct 2011	28 Sept 2011	N/A	
Change Management	High	8	Qtr 3	Jan 2012						
External Data Transmission	High	8	Qtr 3	Feb 2012						
Website Management	High	8	Qtr 3	Jan 2012						
Gsi CoCo v4.1	High	6	Qtr 4	Mar 2012						

Audit Area	Rating	Budget/ Days	Provisional Timing – commencing	Fieldwork Commenced	Draft Report Issued	Management Responses Received	Target date for issue of Final	Final Report Issued	High Findings Reported to Audit Cttee	Comments
Required by Senior Management										
Anti Fraud & Corruption	High	5	Qtr 2	July 2011	21 Feb 2012	21 Feb 2012	28 Feb 2012	21 Feb 2012	N/A	
Debt Recovery	Medium	5	Qtr 2	Aug 2011	30 Aug 2011	28 Sept 2011	5 Oct 2011	28 Sept 2011	N/A	
Elections & Electoral Management	High	6	Qtr 2	July 2011	14 Oct 2011	15 Nov 2011	22 Nov 2011	15 Nov 2011	N/A	
Employee Loans & Mortgages	Medium	6	Qtr 2	July 2011	30 Aug 2011	28 Sept 2011	5 Oct 2011	27 Sept 2011	N/A	
Insurance	Medium	6	Qtr 2	Sept 2011	8 Sept 2011	15 Sep 2011	22 Sept 2011	16 Sept 2011	N/A	
Abandoned Vehicles	Medium	1	Qtr 2	Aug 2011	26 Aug 2011	28 Sept 2011	5 Oct 2011	28 Sept 2011	N/A	
Emergency Planning	High	5	Qtr 1	May 2011	29 June 2011	29 June 2011	6 July 2011	30 June 2011	N/A	
Dog Warden & Pest Control	Medium	5	Qtr 1	June 2011	17 Aug 2011	21 Nov 2011	28 Nov 2011	22 Nov 2011	N/A	
Car Parks	High	5	Qtr 2	July 2011	12 Aug 2011	15 Aug 2011	22 Aug 2011	15 Aug 2011	N/A	
Lone Worker	High	4	Qtr 4	Feb 2012						
Disabled Facilities Grants	Medium	6	Qtr 3	Nov 2011	5 Dec 2011	6 Dec 2011	13 Dec 2011	8 Dec 2011	N/A	

Draft report should be issued no more than 20 working days after debrief meeting.

Management Responses should be received no later than 10 working days after issue of draft report.

Final Report should be issued no later than 5 working days after Management Responses are received.

Income Collection
Issued: 31st April 2010

	Management Response, Responsible Officer and Current Status.	Implementation Dates	
		Original	Revised
<p><u>1. Financial Management System (FMS) and General Ledger Reconciliation</u></p> <p>Reconciliations between the FMS System and the General Ledger ensure that transactions are accurately recorded in the accounting system. It is therefore good practice to undertake a reconciliation of the two systems on a regular monthly basis.</p> <p>It was noted at the time of the audit (March 2010) that the automated reconciliation process had not been re-introduced, but the level of the 'Un-matched' entries had improved/reduced since the February 2009 internal audit review. A monthly manual reconciliation has been in place this year with a year to date variance showing as £59.18. In addition, the Group Accountant with no independent verification of the process performs the reconciliation.</p> <p>Risk: Inability to accurately reconcile the bank account could lead to financial loss and incorrect postings.</p> <p>Recommendation: The automated bank reconciliation of the Income Collection system to the General Ledger should be introduced and completed on a monthly basis with an independent review.</p> <p>In addition, the manual and/or automated reconciliation should be signed and dated by the duly authorised independent reviewing officer. Any discrepancies should be investigated and reported as required.</p>	<p>Management Response – 5th April 2011</p> <p>The manual reconciliation is continuing – we will continue to monitor the progress towards implementing the FMS module.</p> <p><i>[Group Accountant]</i></p> <p>Management Response – 28th June 2011</p> <p>The manual reconciliation is continuing – we will continue to monitor the progress towards implementing the FMS module.</p> <p><i>[Group Accountant]</i></p> <p>Management Response – 27th September 2011</p> <p>The manual reconciliation is continuing – the FMS module has recently been implemented but is still undergoing testing. It is expected that the FMS module will 'go live' by 31 October 2011.</p> <p><i>[FMS Support Team]</i></p> <p>Management Response – 13th December 2011</p> <p>The CIVICA consultant has been onsite and the automated bank reconciliation has been re-started to balance the bank statement and GL on a daily basis.</p> <p>There is however a GL variance that is made up of cash in transit that currently needs a manual spreadsheet to reconcile it. An appointment to go to Brighton Council where they use the same systems has been arranged to see how they reconcile their system.</p> <p><i>[FMS Support Manager]</i></p>	<p>30/09/10</p>	<p>31/10/11</p> <p>31/12/11</p>

	Management Response, Responsible Officer and Current Status.	Implementation Dates	
	<p>Management Response – 14th March 2012</p> <p>Since the automated system was re-started we have been able to reconcile the bank statement to the Council's cash receipting system (Icon) on a daily basis. However, the further reconciliation to the general ledger needs to be completed outside of this system.</p> <p>The expert advice received from Brighton Council provided us with the strategy required in order to achieve this reconciliation. However, we were also advised that the process would take longer than the Audit Committee deadline allowed.</p> <p>As an interim measure, it was decided to resurrect the spreadsheet reconciliation system that was last used by the Group Accountant in June 2011.</p> <p>A great deal of resources have been assigned to this process, the result of which is that September, October, December, January and February have now been successfully reconciled. The other three months only have minor discrepancies.</p> <p>Going forward, the spreadsheet reconciliation will be carried out between the daily bank statement and general ledger transactions on a monthly basis until the automated system is fully implemented.</p> <p>As all available resources have been going into the spreadsheet system no further progress has been made on the automated system. A decision has been made to postpone the full implantation of the automated system until the next financial year so that we can ensure the reconciliation is completed in a timely fashion (using the spreadsheet system).</p> <p><i>[FMS Support Manager]</i></p>	Original	Revised

	Management Response, Responsible Officer and Current Status.	Implementation Dates	
		Original	Revised
<p><u>1. Policies and Procedures</u> There is no completed overarching information governance strategy.</p> <p>It was noted that work was in progress via the Census partnership.</p> <p>Risk: The lack of an efficient corporate approach leading to poor value for money and a failure to comply with legislation leading to fines / prosecution.</p> <p>Recommendation: The information governance strategy should be completed that sets out a framework and route map for implementing information governance at the Council.</p>	<p>Management Response – 28th June 2011</p> <p>The information governance strategy will be completed which sets out a framework and route map for implementing information governance at the Council.</p> <p>In particular, the strategy will set out the overarching objectives for information governance, how these will be achieved, the resources required and the timescales for implementation.</p> <p>This will incorporate elements for data protection, freedom of information and records management. The strategy will set out an approach for monitoring compliance with all relevant legislation.</p> <p>When developed; the strategy will have responsibility assigned at an appropriately senior level.</p> <p><i>[Senior Service Improvement Officer]</i></p> <p>Management Response – 27th September 2011</p> <p>A draft strategy is in an advanced stage and it is expected that it will be submitted formally to the cabinet member for Finance and Service Delivery during the early part of October 2011.</p> <p><i>[Business Unit Leader - Member Support and Partnerships]</i></p> <p>Management Response – 13th December 2011</p> <p>The Better Services Advisory Group has requested a report on the draft Information Governance Strategy. The Cabinet Member has agreed that BSAG should consider the strategy before it is submitted for his endorsement. BSAG will meet on 1 February 2012. The draft strategy will be considered by Management Team in January, prior to going to BSAG.</p> <p><i>[Business Unit Leader - Member Support and Partnerships]</i></p>	<p>31/8/11</p>	<p>31/10/11</p> <p>29/2/12</p>

	Management Response, Responsible Officer and Current Status.	Implementation Dates	
	<p>Management Response – 14th March 2012</p> <p>As a result of coordinated working by all councils in the CenSus Partnership, the Information Governance Strategy has now been re-drafted as a cross-council strategy, and in that form will be presented to Council in April for adoption by MSDC.</p> <p><i>[Business Unit Leader - Member Support and Partnerships]</i></p>	Original	Revised
			30/4/12

Business Critical Contracts
Issued: 27th June 2011

	Management Response, Responsible Officer and Current Status.	Implementation Dates	
		Original	Revised
<p><u>1. An accurate, up to date contracts register</u></p> <p>Review of business critical contracts is not feasible until a complete and up to date contracts register is established.</p> <p>Recommendation: The Council should ensure that an accurate and up to date contracts register is maintained.</p> <p>This register should include all contracts that could be considered business critical and/or significant.</p> <p>Responsibility for creation and maintenance of the contracts register should be assigned.</p> <p>Any contracts list made available to the public should be an accurate reflection of the Council's position.</p>	<p>Management Response – 27th September 2011</p> <p>Officers are collaborating to update the Contracts Register and using the Procurement Service to provide up to date data on new contracts when awarded</p> <p><i>[Head of Legal]</i></p> <p>Management Response – 13th December 2011</p> <p>It has not been possible to create the cross-authority register because the software has not been sourced.</p> <p>On the Legal network drive all of the contracts that have come to Legal since the end of 2008 are scanned in. The contract register will be updated to accord with this and this will be lead by the Contracts Solicitor.</p> <p><i>[Head of Legal]</i></p> <p>Management Response – 14th March 2012</p> <p>The contracts register should now or shortly be on the MSDC website and Legal have been charged with maintaining it in conjunction with the Procurement Team at Horsham District Council.</p> <p>The register will be kept up to date and client departments who undertake their own contracts without Legal input are being reminded that details of all contracts, regardless of size, need to be passed to Legal to ensure responsibilities, liabilities etc. are monitored.</p> <p><i>[Solicitor and Deputy Monitoring Officer]</i></p>	<p>31/10/11</p>	<p>31/1/12</p> <p>N/A</p>

8. ANNUAL INTERNAL AUDIT PLAN

REPORT OF: Head of Finance
Contact Officer: Peter Stuart
[Email: peter.stuart@midsussex.gov.uk](mailto:peter.stuart@midsussex.gov.uk)
Tel: 01444 477315
Wards affected: All
Key Decision: No

1. Purpose of Report

- 1.1 The purpose of this report is to inform the Committee of the detailed work proposed for 2012/13.

2. Summary

- 2.1 The 2012/13 annual audit plan allows for examination of the main financial areas from a systems and an IT perspective, key to ensuring the Council's finances remain properly controlled, whilst also undertaking strategic and service based work each with a varying risk to the organisation.
- 2.2 The plan also includes some specific reviews from previous audit work, this is to ensure that the Council are being consistent in their approach to these area's year on year.
- 2.3 The plan continues to include coverage of specific key controls identified by the Audit Commission in support of their year-end work.

3. Recommendations

The Committee is asked to receive and approve the detailed Internal Audit Plan for 2012/13 (Appendix A).

4. Introduction and Background

- 4.1 The work of Internal Audit is managed through a risk based planning process which this year comprises a detailed one-year plan.
- 4.2 The purpose of this report is for the Committee to consider the proposed Internal Audit plans.

5. Internal Audit Plans

Preparation

- 5.1 The preparation process for the detailed one-year operational plan included engagement with management, consideration of findings of previous audit work and inclusion of the fundamental systems as prescribed by External Audit.
- 5.2 The detailed Plan for 2012/13 is shown in Appendix A. This plan differentiates audits between fundamental systems, risk based & corporate audits, ICT computer audits

and the time necessary to support the plan and the internal audit function during the next three years.

Fundamental Systems

- 5.3 These are the main financial systems, adequate control of which is key to the proper operation of the Council's financial affairs. The External Auditor also requires an adequate coverage of these systems in forming the view that the council is being properly managed. Those systems are required to be examined each year and a total of 66 days is allocated for this work for 2012/13, which represents 27% of the total. Reviews of the Revenues and Benefits section are now shared between the 3 CenSus partners with each key element (Council Tax, NNDR and Housing Benefits) rotated between the partners on an annual basis.

Computer Audit

- 5.4 This category deals with examining the control of the Council's main computer systems and infrastructure. The work provides for a total of 28 days to take account of the changing arrangements of the ICT function within Mid Sussex District Council and will be focused on areas of greatest impact.

Follow-ups

- 5.5 It is important for the effectiveness of Internal Audit that there should be a process of following up previously agreed recommendations to ensure they are implemented. This provides continuity between time periods and between audits. A total of 12 days is allocated for this work this year.

Management and Planning

- 5.6 In addition to undertaking the discrete audits referred to above, Internal Audit also carries out a number of support and planning activities including; liaison with the Council's External Auditors to ensure the work of the two functions are complimentary; liaising with management to agree the audit programmes to ensure that each piece of work is scoped to deliver the intended outcomes and adds value; allocation of appropriately skilled resources; and finally preparation for, and attendance at the Audit Committee.

Value for Money (VFM)

- 5.7 This element of the plan focuses on specific elements of the Council's operations to assess their effectiveness and efficiency in achieving Council objectives. This year the review will focus on identifying, for a particular service area, what data is collected and how it is used to aid business decisions and monitor performance in line with the service improvement strategy.

Resources

- 5.8 The Internal Audit Service for the forthcoming year will be managed by Ben Durrant, CPFA who will be supported by a range of staff from HW Controls & Assurance LLP who in addition to being familiar with the Council also bring with them experience of working with a number of other Councils. Specialists are brought in as required, in particular for computer audit. The plan is supervised by Steven Connors, at partner level, who acts in the capacity of Chief Internal Auditor for the Council.

6. Risk Assessment

- 6.1 This plan represents the final year of the 3-year strategic plan and has been produced after engaging with stakeholders and determining the priorities for the forthcoming year. Whilst it is often the case that there will always be a need for more resources for Internal Audit, a judgement needs to be made as to the minimum that is required to ensure the proper operation of the Council's business.
- 6.2 The effectiveness of this approach continues to be kept under review and at the end of each year External Audit will also form their own opinion.

7. Policy Context

- 7.1 This report explains how the Internal Audit function will contribute to the work of the Council, which is in accordance with the Corporate Plan. Internal Audit is a statutory function required under section 6 of the Accounts and Audit Regulations 2003.

8. Financial Implications

- 8.1 The detailed 2012/13 Internal Audit plan has been compiled to ensure it remains within the budget for that financial year and is derived from the 3 year strategic plan that covers the period April 2010 to March 2013.

Background Papers:

Mid Sussex District Council 2012/2013 Internal Audit Plan

	Systems	IT	Total	Comments
<i>Fundamentals</i>				
Benefits	25		25	Work to cover the 3 CenSus Councils.
Payroll	5		5	
Income Collection (Cashiers)	10		10	Compliance with Audit Commission requirements plus assessment of "work arounds" that limit benefits realisation from the efficient utilisation of the key systems
Treasury Management	5		5	
Payments (Creditors)	5		5	
Sundry Debtors	5		5	
Capital Accounting & Asset Management	7		7	
Budgetary Control	4		4	
External Audit - Top Up testing	15		15	
<i>Risk Based & Corporate</i>				
FM Contracts	15		15	Management arrangements and performance monitoring for the leisure, refuse and grounds maintenance contracts
Corporate Governance – F/U	2		2	Assessing the progress from the previous audit
Housing Needs - Temporary Accommodation	8		8	Due to the current economic climate there is increasing utilisation of this service provision. Assessing management arrangements and operational control in place.
NNDR - Discretionary Rate Relief	5		5	Management arrangement to cover the decisions around the initial application and compliance with regulations covering the review process.
Purchasing and fuel cards	6		6	Review of controls in place over the administration and use of the cards.
Banking Arrangements	5		5	Review of contract monitoring arrangements and outcome of recent consultancy exercise.
Local Land Charges	7		7	Working arrangements following the conclusion of the nationwide IT project
Risk Management	6		6	Focus will be on the linkages between emerging operational risks and the strategic risk register
Contact Centre	5		5	Management arrangements and service delivery review focusing on planning, delivery and range of services.

Design and Print	5		5	Review of working practices from a VFM and Use of Resources perspective.
Programme & Project Mgmt	5	5	10	Review of management arrangements, including compliance with current standards and best practice, including but not limited to PRINCE 2.
Staff Training	6		6	Review of policy and procedures in place to request, approve and monitor training needs.
VFM				
Use of data - Requested by RH	10		10	Assess whether the Council is making best use of collected data to inform business decisions. This will focus on identifying for a particular service area what data is collected and how it is used to aid business decisions and monitor performance in line with the service improvement strategy.
ICT Audits				
Service and support		5	5	Compliance with ITIL Service desk.
ITC Strategy		8	8	Review of ICT Strategy to assess its alignment with the organisations corporate and business unit strategies.
ResourceLink		8	8	Pre and Post Implementation review of the 2 new modules scheduled to go live during 2011/12 - PDR (Appraisals) expected Sept/Oct and Expenses (date unknown)
GSi CoCo Compliance		2	2	Monitoring compliance with the updated code.
Sub Total	166	28	194	
Follow Ups	12		12	
Contingency	6		6	
Sub Total	184	28	212	
Management & Planning				
Committees			12	
Operational Management			24	
CIA Time			12	
			48	
Total days			260	