

6. AUDIT RESULTS REPORT 2013/14

REPORT OF: Head of Finance, ICT and HR
Contact Officer: Peter Stuart
Email: peter.stuart@midsussex.gov.uk Tel: 01444 477315
Wards Affected: All
Key Decision: No
Report to: Audit Committee
23rd September 2014

Purpose of Report

1. This report introduces the auditors' 'Audit Results Report' and provides some context for Members' consideration.

Summary

2. The auditors have given the accounts an unqualified opinion and offered a positive statement on the Council's Value for Money and financial preparedness.

Recommendations

3. **That the report be received.**
-

Background

4. The Audit Results Report gives the Council the auditor's opinion on both the financial statements and the arrangements to secure Value for Money. It is the key document arising from the annual audit and is to be read by 'those charged with governance' as well as being a public document for all stakeholders.
5. The opinion from the audit of the financial statements is unqualified. This is a very positive statement and shows that the statements offer a true and fair view of the authority's financial position for 2013/14.
6. Members will remember that last year, being the first year of the audit being performed by Ernst and Young, there were some teething issues around providing working papers in the format and structure required by the new personnel. As anticipated, these were swiftly overcome and this year the process was smoother, to the benefit of both parties.
7. Members will also note that some alterations to the accounts have been made subsequent to the audit. These were minor in nature and do not materially change the Financial Statements of the authority.
8. The External Auditor will attend the meeting to present his report and answer Member's questions.

Policy Context

9. Receiving the report enables the Council to fulfil its statutory obligations.

Other Options Considered

10. None.

Financial Implications

11. This report has no financial implications.

Risk Management Implications

12. None.

Equality and Customer Service Implications

13. This report has no such implications.

Other Material Implications

14. This report has no such implications.

Background Papers

None.

Mid Sussex District Council

Audit Committee Summary

For the year ended 31 March 2014

Audit Results Report – ISA (UK & Ireland) 260

23 September 2014



Building a better
working world

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Contents

- ▶ Executive summary
- ▶ Extent and progress of our work
- ▶ Addressing audit risk
- ▶ Financial statements audit – issues and findings
- ▶ Arrangements to secure economy, efficiency and effectiveness
- ▶ Independence and audit fees
- ▶ Appendices

Executive summary

Key findings

| Audit results and other key matters

The Audit Commission's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee - on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified.

This report summarises the findings from the 2013/14 audit which is substantially complete. It includes the messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

- ▶ As of 23 September 2014, we expect to issue an unqualified opinion on the financial statements. Our audit results demonstrate, through the few matters we have to communicate, that the Council has prepared its financial statements adequately.

Value for money

- ▶ We expect to conclude that you have made appropriate arrangements to secure economy, efficiency and effectiveness in your use of resources.

Whole of Government Accounts

- ▶ We expect to issue an unqualified confirmation to the National Audit Office (NAO) regarding the Whole of Government Accounts submission.

Audit certificate

- ▶ The audit certificate is issued to demonstrate that the full requirements of the Audit Commission's Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate at the same time as the audit opinion.

Extent and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- Express an opinion on the 2013/14 financial statements
- Report on any exception on the governance statement or other information included in the foreword
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the Value for Money conclusion)

In addition, this report contains our findings related to the areas of audit emphasis, our views on the Council's accounting policies and judgments and significant deficiencies in internal control.

As a component auditor, we also follow the group instructions and send to the National Audit Office our group assurance certificate, audit results report and auditor's report on the consolidation schedule.

This report is intended solely for the information and use of the Council. It is not intended to be and should not be used by anyone other than the specified party.

Addressing audit risks

Significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

Audit risk identified within our Audit Plan	Audit procedures performed	Assurance gained and issues arising
Significant audit risks (including fraud risks)		
<p>The Business Rates Retention Scheme came into force on 1 April 2013. Under the scheme half of the business rates collected by councils will be retained locally and half paid over to central government.</p> <p>The level of NNDR paid on business property depends on its 'rateable value'. This is calculated by the Valuation Office Agency (VOA).</p> <p>Where local businesses believe the current value for business properties is wrong they can:</p> <ul style="list-style-type: none"> • appeal to the VOA and ask them to correct details • appeal the rates if the local business and the VOA can't agree. This appeal is heard by a valuation tribunal. <p>Where rating appeals are successful, monies to settle appeals will come out of the Council's funds and will also impact on other local public bodies that precept on the Council. This includes both claims from 1 April 2013 and claims that relate to periods before the introduction of the scheme. As appeals are to the VOA, authorities may not be aware of the level of claims. Appeals can be speculative in nature and multiple appeals can be made against the same property and valuation on different grounds.</p> <p>The potential cost of successful rateable value appeals is significant to the Council.</p> <p>There is also a high level of estimation uncertainty in determining an accurate provision for the cost in the financial statements.</p> <p>This risk is common to all billing authorities – it is not specific to Mid Sussex District Council.</p>	<p>Based on the requirements of the auditing standards our approach focused on:</p> <ul style="list-style-type: none"> • reviewing provisions and other significant accounting estimates made by management to ensure they are reasonable; and • auditing the business rate balances as in line with the Code guidance. 	<p>We assessed the provision against the requirements of the 'Code of Practice on Local Authority Accounting in the United Kingdom 2013/14' and 'IAS 37 – Provisions, Contingent Liabilities and Contingent Assets' and found that it was compliant with the requirements.</p> <p>We also assessed management's expertise in formulating the provision and found this to be of a good standard.</p> <p>We audited the business rate balances in the Collection Fund and found them to comply with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2013/14'.</p>
<p>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.</p> <p>We identify and respond to this fraud risk on every audit engagement, and include this risk in all of our audit plans. It is not specific to Mid Sussex District Council.</p>	<p>Our approach focused 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; • evaluating the business rationale for significant unusual transactions; and • the Council's arrangements for identifying and properly disclosing significant related party transactions in its financial statements. 	<p>We substantively tested all significant accounting entries prepared around the year end, as well as all material system journals prepared throughout the year. We also tested all journals prepared by management for accuracy and correctness. We found no evidence of management bias or override.</p>

Financial statements audit

Issues and misstatements arising from the audit

Progress of our audit

- ▶ The following areas of our work programme remain to be completed. We will provide an update of progress at the Audit Committee meeting:
 - ▶ Receipt of a Letter of Representation
 - ▶ Completion of work on control account reconciliation reviews; collection fund information relating to the Mid Sussex DC share in debtors and creditors; revaluation reserve; HB work to support the audit opinion; payroll and SERCOP income and expenditure
 - ▶ Completion of our work on WGA
 - ▶ Receipt of audit assurance from the auditor of the West Sussex pension scheme
 - ▶ Final review of the amended financial statements
 - ▶ Internal review processes
- ▶ Subject to the satisfactory resolution of the above items, we propose to issue an unqualified audit report on the financial statements.

Uncorrected Misstatements

- We have identified no misstatements within the draft financial statements, which management has chosen not to adjust.

Corrected Misstatements

Our audit identified a number of misstatements which our team have highlighted to management for amendment. All of these have been corrected during the course of our work.

We do not consider any of these to be significant and therefore we have not provided further details of these corrected misstatements.

Other Matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process.

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions; and,
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest,

We have no other matters we wish to report.

Financial statements audit (continued)

Internal Control, Written Representations & Whole of Government Accounts

Internal Control

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have reviewed the Annual Governance Statement and can confirm that:

- ▶ It complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- ▶ It is consistent with other information that we are aware of from our audit of the financial statements.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters that arise to the Audit Committee.

Arrangements to secure economy, efficiency and effectiveness

The Code of Audit Practice (2010) sets out our responsibility to satisfy ourselves that Mid Sussex District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In examining the Council's corporate performance management and financial management arrangements, we have regard to the following criteria and focus specified by the Audit Commission.

Criteria 1 - 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”*
- ▶ We did not identify any significant risks in relation to this criteria.
- ▶ We identified two other risks relevant to both criteria:
- ▶ **Financial Standing:** the Council continues to experience funding challenges from of national policies to reduce the deficit.
- ▶ **Council Spending:** the Audit Commission produces value for money and financial ratio profiles for local authorities on an annual basis. This provides an indication of the relative spending of an individual body against a comparator group of statistical nearest neighbours which have similarities in population, expenditure, and geographical area.

Key Findings

- ▶ The corporate plan (incorporating the Medium Term Financial Strategy and 2014/15 budget are set within a sound financial context and build on the Council's track record of delivering its financial objectives.
- ▶ The 2014/15 budget has been prepared on a prudent basis and sound assumptions; the 2014/15 budget is fully funded.
- ▶ Looking further ahead the medium term financial strategy shows a widening budget deficit resulting in a cumulative gap of £1.6 million by 2017/18 if no corrective action is taken. In the context of the Council's general fund balances and earmarked reserves this level of budget gap is manageable. The Council intend to close this gap and are considering options to do so.

Arrangements to secure economy, efficiency and effectiveness (continued)

Criteria 2 - 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.”*
- ▶ We did not identify any significant risks in relation to this criteria.
- ▶ We identified two other risks relevant to both criteria:
- ▶ **Financial Standing:** the Council continues to experience funding challenges from of national policies to reduce the deficit.
- ▶ **Council Spending:** the Audit Commission produces value for money and financial ratio profiles for local authorities on an annual basis. This provides an indication of the relative spending of an individual body against a comparator group of statistical nearest neighbours which have similarities in population, expenditure, and geographical area.

Key Findings

- ▶ The Council spent within its budget targets for 2013/14 which has resulted in a greater than anticipated surplus for the year.
- ▶ The Council’s performance was helped by increased income in a number of key areas and careful management of expenditure. This enabled the Council to increase its general fund balances and earmarked reserves from £12.2 million at 31 March 2013 to £12.6 million at 31 March 2014.
- ▶ No significant outliers have been identified from our review of the Audit Commission value for money profiles. Overall net spending per head of population in in the lowest 20 per cent of councils.
- ▶ The Council has also reviewed its provision of services and achieved projected savings through re-tendering of contracted out services, for example in leisure services where a new contract is estimated to generate revenue gains averaging £1.2 million per year from 2014/15.

Independence and audit fees

Independence

- ▶ We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan in June 2014.
- ▶ We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Audit Commission's Code of Audit Practice and Standing Guidance. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.
- ▶ We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.
- ▶ We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view.

If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 23 September 2014.

- ▶ We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK&I) 260. Our communication plan to meet these requirements were set out in our Audit Plan.

Audit fees

The table below sets out the scale fee and our final proposed audit fees.

	Proposed final fee 2013-14	Scale fee 2013-14	Variation comments
	£s	£s	
Total audit fee - Code work	66,489	66,489	
Certification of claims and returns	8,888(*)	8,888	(*) - Work is in progress and we will report the proposed final fee in due course
Non-audit work	0	0	

- ▶ Our actual fee is in line with the agreed fee at this point in time, subject to the satisfactory clearance of the outstanding audit work.
- ▶ We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

Ernst & Young LLP

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

7. FINANCIAL STATEMENTS 2013/14

REPORT OF: Head of Finance, ICT and HR
Contact Officer: Peter Stuart
Email: peter.stuart@midsussex.gov.uk Tel: 01444 477315
Wards Affected: All
Key Decision: No
Report to: Audit Committee
24th September 2013

Purpose of Report

1. This report presents the Financial Statements to the Committee for approval and asks the Committee to endorse the signing of the Letter of Management Representation which accompanies those Statements.

Summary

2. The Financial Statements have been circulated to all Members of the Committee. The Chairman of the Committee is to sign the accounts alongside the Head of Finance once Members are content. The Letter of Management Representation makes a declaration regarding the disclosure of information relating to the audit and the Chairman will also sign this document once authorised to do so by the Committee.

Recommendations

3.
 - i) **That the Financial Statements are approved and the Chairman be authorised to add his signature on that document to that of the Head of Finance.**
 - ii) **That the Letter Of Management Representation be approved and the Chairman be authorised to add his signature to that of the Head of Finance.**
-

Background

4. The Financial Statements present a picture of the Council's financial position over the year. This year they have again been prepared in accordance with International Financial Reporting Standards.
5. The statements are appended to this report and have been subject to audit. The previous item presents the auditor's view of the statements and offers an opinion on both the Financial Statements and the arrangements to secure Value for Money.
6. The Head of Finance has signed the accounts as presenting a true and fair view of the financial position of the authority and its income and expenditure for the year ended 31st March 2013.
7. The Letter of Management Representation sets out the Committee's responsibility for approving the statements and their contents and is included as Appendix B.

Policy Context

8. Receiving the report and following the recommendation enables the Council to fulfil its statutory obligations.

Other Options Considered

9. None.

Financial Implications

10. None.

Risk Management Implications

11. None.

Equality and Customer Service Implications

12. This report has no such implications

Other Material Implications

13. None.

Background Papers

None.

Contact:
Mr Peter Stuart 01444 477315
peter.stuart@midsussex.gov.uk

Your Ref:
Our Ref: PS

Date:
23 September 2014

To:
Mr Paul King
Director
Ernst & Young LLP
Apex Plaza,
Forbury Road
Reading RG1 1YE

Mid Sussex District Council - Audit for the year ended 31 March 2014

This representation letter is provided in connection with your audit of the financial statements of Mid Sussex District Council ("the Council") for the year ended 31 March 2014. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Mid Sussex District Council as of 31 March 2014 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors of Mid Sussex District Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2014:

Financial Statements and Financial Records

I have fulfilled my responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting (CIPFA Code).

I acknowledge my responsibility for the fair presentation of the financial statements. I believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA Code and are free of material misstatements, including omissions. I have approved the financial statements.

I confirm that as the Responsible Officer I have:

- ▶ reviewed the accounts;

- ▶ reviewed all relevant written assurances relating to the accounts; and
- ▶ made other enquiries as appropriate.

The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

I believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA Code that are free from material misstatement, whether due to fraud or error.

Fraud

I acknowledge that I am responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud

I have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Compliance with Laws and Regulations

I have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

Information Provided and Completeness of Information and Transactions

I have provided you with:

- ▶ access to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement;
- ▶ additional information that you have requested from us for the purpose of the audit; and
- ▶ unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

All material transactions have been recorded in the accounting records and are reflected in the financial statements.

I have made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 22 September 2014.

I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the Council related parties and all related party relationships and transactions of which I am aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

I have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

Liabilities and Contingencies

All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

I have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that I have given to third parties.

Subsequent Events

Other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

Accounting Estimates

I believe that the significant assumptions I used in making accounting estimates, including those measured at fair value, are reasonable.

In respect of accounting estimates recognised or disclosed in the financial statements:

- ▶ I believe the measurement processes, including related assumptions and models, used in determining accounting estimates is appropriate and the application of these processes is consistent.
- ▶ The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- ▶ The assumptions used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- ▶ No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Use of the Work of an Expert

We agree with the findings of the experts engaged to evaluate the National Non-Domestic Rates provision and the valuation of land and buildings and investment property and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Signed on behalf of Mid Sussex District Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 23 September 2014

Signed:

Head of Finance, ICT & HR

I confirm that this letter has been discussed and agreed at the Audit Committee on 23 September 2014

Chairman of Audit Committee

8. INTERNAL AUDIT – MONITORING REPORT

Report from: Audit Manager
Contact Officer: Gillian Edwards
Email@ gillian.edwards@midsussex.gov.uk
Tel:~(01444) 477241
Wards Affected: All
Key Decision: No
Date of Meeting – 23rd September 2014

1. PURPOSE OF REPORT

The purpose of this report is twofold; to update the Committee on the progress of the 2013/2014 and 2014/2015 Internal Audit Plans and to report on the progress made in implementing previously agreed recommendations.

2. SUMMARY

- 2.1 The audit plans provides for a mix of coverage of fundamental systems, IT systems and service systems, which had been identified as potential risk areas. Appendix A summarises the progress to date on the plan.

3. RECOMMENDATIONS

The Committee is asked to receive this report.

4. REPORT TO AUDIT COMMITTEE

Progress on implementing previous recommendations

- 4.1 During this period, we have undertaken a review of progress made towards the implementation of agreed actions in respect of the CenSus Action Plan, which was agreed by CenSus management following the issue of the CenSus Benefits audit, undertaken by Horsham District Council in March 2014. The aim is to improve the quality and accuracy of work undertaken by the Benefits teams, with the desired result being that there would be no future 'Qualified' subsidy audits.
- 4.2 We can confirm that progress is being made, with revised training and procedures in place to address weaknesses. However it is too early to comment on whether the measures will be successful in ensuring that there are no future qualified subsidy audits and we will therefore undertake further work in the next quarter, and report the outcome to this Committee in November 2014.
- 4.3 The CenSus Benefits audit will be undertaken later in this financial year as part of the audit for 2014/2015.

Progress against the 2014/2015 Internal Audit Plan as at 31st August 2014

- 4.4 In line with the audit programme for 2014/2015 we have now issued reports for two of the audits, namely CenSus Action Plan and Business Rates Retention Scheme.

- 4.5 At the time of writing, the Initial Housing Benefit testing and the Procurement audit are nearing completion. These will be reported on at the next meeting of this Committee.
- 4.6 There have been a number of changes to the annual audit plan since its approval in March 2014, which were agreed with the Head of Finance and ICT as follows:
- Value for Money - not required at this time - moved to contingency;
 - Leisure Contract Procurement – put back to later in the year to allow contract implementation;
 - Review of CenSus Action Plan – time taken from contingency;
 - Business Rates Retention Scheme – time taken from contingency;
 - Housing Benefit Initial Testing – time taken from contingency;
 - Computer Audit – testing still to be agreed – moved to contingency;
 - Data Protection Awareness and Training and Subject Access Requests – time taken from contingency
 - Freedom of Information Requests – time taken from contingency.

Background Papers

Internal Audit reports relating to 2013-2014 and 2014/2015

Working papers relating to 2013-2014 and 2014/2015

**Mid Sussex District Council
Internal Audit Plan 2013/2014
Progress Report 23rd September 2014**

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	N/A	Qtr 3	N/A	N/A	N/A	N/A	6 June 2014	24 June 2014	Audit to be conducted by Adur
Council Tax – CenSus Partners	High	20	Qtr 3	28 Oct 2013	12 Dec 2013	13 Jan 2014	20 Jan 2014	13 Jan 2014	N/A	Audit conducted by Mid Sussex
Housing Benefits – CenSus Partners	High	N/A	Qtr 3	N/A	N/A	N/A	N/A	4 Mar 2014	18 Mar 2014 (Verbal)	Audit conducted by Horsham
Payroll	High	5	Qtr 4	20 Jan 2014	7 Mar 2014	19 Mar 2014	26 Mar 2014	20 Mar 2014	N/A	
Income Collection (Cashiers)	High	10	Qtr 3	18 Nov 2013	29 Nov 2013	29 Nov 2013	6 Dec 2013	29 Nov 2013	NA	
Treasury Management	High	5	Qtr 4	24 Feb 2014	7 Mar 2014	17 Mar 2014	24 Mar 2014	17 Mar 2014	N/A	
Payments (Creditors)	High	5	Qtr 4	13 Jan 2014	22 Jan 2014	31 Jan 2014	7 Feb 2014	31 Jan 2014	N/A	
Sundry Debtors	High	5	Qtr 3	7 Oct 2013	17 Oct 2013	18 Oct 2013	25 Oct 2013	18 Oct 2013	N/A	
Capital Accounting and Asset Management	Medium	7	Qtr 4	20 Jan 2013	30 Jan 2014	31 Jan 2014	7 Feb 2014	31 Jan 2014	N/A	
Budgetary Control	Medium	4	Qtr 3	9 Dec 2013	12 Dec 2013	12 Dec 2013	19 Dec 2013	12 Dec 2013	N/A	
Computer Audit										
Back up and Disaster Recovery	High	5	Qtr 3	20 Dec 2013	9 Apr 2014	13 May 2014	N/A	11 Aug 2014	N/A	
Change and Configuration Management	High	7	Qtr 4	17 Jan 2014	9 Apr 2014	13 May 2014	N/A	11 Aug 2014	N/A	
BACS		5	Qtr 2	25 July 2013	30 Aug 2013	27 Jan 2014	3 Feb 2014	3 Feb 2014	N/A	
PSN		3	Qtr 1	17 Jun 2013	9 Apr 2014	2 Jun 2014	9 Jun 2014	6 Jun 2014	N/A	

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
Required by Senior Management										
Procurement		6	Qtr 3	29 Oct 2013	12 Nov 2013	13 Nov 2013	20 Nov 2013	15 Nov 2013	N/A	
Pitches and Pavilions		6	Qtr 1	13 May 2013	24 May 2013	12 Sep 2013	19 Sep 2013	12 Sep 2013	N/A	
Anti Fraud Work		7	Qtr 2	9 Sep 2013	1 Oct 2013	21 Oct 2013	28 Oct 2013	28 Oct 2013	N/A	
Land and Property		7	Qtr 2	15 Jul 2013	12 Sep 2013	17 Sep 2013	24 Sep	17 Sep 2013	N/A	
Use of Data		40								Removed
Landscapes		10	5 Aug 2013	13 Sep 2013	23 Oct 2013	30 Oct 2013	1 Nov 2013	20 Nov 2013	20 Nov 2013	

**Mid Sussex District Council
Internal Audit Plan 2014/2015
Progress Report 23rd September 2014**

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	20	Qtr 3							Audit conducted by Mid Sussex
Council Tax – CenSus Partners	High	N/A								Audit conducted by Horsham
Housing Benefits – CenSus Partners	High	N/A								Audit to be conducted by Adur
Payroll	High	8	Qtr 3							
Income Collection (Cashiers)	High	10	Qtr 3							
Treasury Management	High	5	Qtr 3							
Payments (Creditors)	High	5	Qtr 3							
Sundry Debtors	High	5	Qtr 4							
Capital Accounting and Asset Management	High	7	Qtr 4							
Budgetary Control	High	4	Qtr 4							
FMS	High	5	Qtr 4							
Ernst and Young – top up testing	High	15	Qtr 4							
Risk Based and Corporate										
Leisure Contract Procurement	High	15								deferred
Procurement	High	10	Qtr 2	21 Aug 2014						
Anti-Fraud Work	High	8	Qtr 4							
FOI and Subject Access Requests	High	12	Qtr 3							
Data Protection		8	Qtr 3							
Computer Audit										
To be agreed										Moved to contingency

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
Value for Money										
To be allocated										Moved to contingency
Requested by Management										
CenSus Action Plan Review	High	5	Qtr 1	19 Jun 2014	10 Jul 2014	10 Jul 2014	17 Jul 2014	15 Jul 2014	N/A	
CenSus – Review of Business Rates Retention Scheme	High	8	Qtr 1	7 Jul 2014	29 Jul 2014	N/A	5 Jul 2014	11 Aug 2014	N/A	
Freedom of Information Requests	High	8	Qtr 3							
Data Protection – Awareness and Training and Subject Access Requests	High	8	Qtr 3							
Housing Benefit – Initial Testing	High	15	Qtr 2	15 Jul 2014						

9. INTERNAL AUDIT – RECOMMENDATIONS SUMMARY

Report from: Audit Manager
Contact Officer: Gillian Edwards
Email@ gillian.edwards@midsussex.gov.uk
Tel:~(01444) 477241
Wards Affected: All
Key Decision: No
Date of Meeting – 23rd September 2014

1. PURPOSE OF REPORT

The purpose of this report is to update the Committee on the types of recommendations raised across all of the audits during 2014/2015, on a cumulative basis.

2. SUMMARY

- 2.1 Recommendations are raised based on weaknesses in the systems of control identified during audit fieldwork. Recommendations are rated according to their priority – high, medium or low.
- 2.2 High priority recommendations are reported to Audit Committee and should be implemented immediately. Generally, medium priority recommendations should be implemented within 3 to 6 months and low priority recommendations within 6 to 12 months. Specific deadlines for the implementation of recommendations are set at the time of audit.

3. RECOMMENDATIONS

The Committee is asked to receive this report.

4. REPORT TO AUDIT COMMITTEE

Progress on implementing previous recommendations

- 4.1 During 2014/2015, 2 audit reports have been issued to date as follows:
- CenSus Action Plan Review 2014/2015
 - Business Rates Retention Scheme audit 2014/2015
- 4.2 The CenSus Action Plan Review was undertaken to assess progress made on the implementation of the actions agreed with CenSus management to improve the quality and accuracy of work undertaken by the Benefits teams, one purpose of which was that there would be no future ‘Qualified’ subsidy audits.
- 4.3 It was found that progress had been made in implementing the agreed actions, but it was too early to measure the outcomes and and it is intended that we will undertake further work on this area and report again at the meeting in November 2014. No new findings arose out of this review.

- 4.4 With regards to the Business Rates Retention Scheme audit, there were no findings to report at the time of the review.
- 4.5 Recommendations are discussed with the auditees at exit meetings held following the conclusion of the fieldwork. At these meetings the actions to be taken by the auditees in order to implement the recommendations, together with deadline dates, are agreed.

Background Papers

Internal Audit reports relating to 2014/2015
Working papers relating to and 2014/2015

**Mid Sussex District Council
Internal Audit Plan 201/2015
Progress Report 23rd September 2014**

Audit Area	Draft Report	Final Report	Rating of Recommendations				Nature of Recommendations						
			High Priority	Medium Priority	Low Priority	Total	Policies and procedures	Staff training	Record keeping/maintenance	Data/Financial security	Authorisation of transactions	Contract / budget setting	System error
NNDR - CenSus Partners													
Council Tax – CenSus Partners													
Housing Benefits – CenSus Partners													
Payroll													
Income Collection (Cashiers)													
Treasury Management													
Payments (Creditors)													
Sundry Debtors													
Capital Accounting and Asset Management													

Audit Area	Draft Report	Final Report	Rating of Recommendations				Nature of Recommendations						
			High Priority	Medium Priority	Low Priority	Total	Policies and procedures	Staff training	Record keeping/maintenance	Data/Financial security	Authorisation of transactions	Contract / budget setting	System error
Budgetary Control													
FMS													
Ernst and Young – top up testing													
Leisure Centre Contract Award Review													
Procurement													
Anti-Fraud Work													
FOI and Subject Access Requests													
Data Protection													
CenSus Action Plan Review													
CenSus – Review of Business Rates Retention Scheme	10 Jul 2014	15 Jul 2014	-	-	-	-							
Freedom of Information Requests	29 Jul 2014	11 Aug 2014	-	-	-	-							

Audit Area	Draft Report	Final Report	Rating of Recommendations				Nature of Recommendations						
			High Priority	Medium Priority	Low Priority	Total	Policies and procedures	Staff training	Record keeping/maintenance	Data/Financial security	Authorisation of transactions	Contract / budget setting	System error
Data Protection – Awareness and Training and Subject Access Requests													
Housing Benefit – Initial Testing													

10. TREASURY MANAGEMENT UPDATE

REPORT OF: HEAD OF FINANCE
Contact Officer: Peter Stuart
Email: peter.stuart@midsussex.gov.uk Tel: 01444 477315
Wards Affected: All
Key Decision: No
Report to: Audit Committee
Date of meeting 9th September 2014

Purpose of Report

1. To set out the Exception Reporting mechanism raised at the last meeting of the Committee.

Recommendations

- (i) The Committee is recommended to note the report;**
-

Background

2. The June meeting of this committee received a report reviewing Treasury Management Activity in which it was stated that a control limit had been breached once in the year. Members asked for a report outlining the purpose of the control, the nature of the breach and effect of the breach.
3. The control that was breached was that the investment portfolio should be divided equally between short and long term investments, ie :50:50. This split is that of Mid Sussex and is intended to be a general guide rather than a hard and fast rule.
4. The reason for exceeding the limit relates to the period 28-31 March 2014 when the fund balances dipped – as stated in Para 7.2 of the previous report. This meant that the short term funds temporarily fell and upset the split; thereby increasing the weighting of the longer-term investments.
5. The Treasury Manager advises that the limit of 50% is one of the Prudential Code Limits set as part of the treasury management strategy and reflects the aim of striking a balance between “core funds” that may be invested long term beyond 364 days, and the funds required for day to day liquidity – the concept being that if you do not retain sufficient funds to cover day-to day needs the council may incur costs to borrow funds or recall investments before the maturity date (if the borrower allows it).
6. The limit is arbitrary, since it could be any figure we wish, based around expectations for liquidity and interest rate risk, and the fluctuation of total funds available during the year. The figure of 50% was chosen since experience for all three Councils in the shared service has shown this works reasonably well with room to spare – even allowing for a dip in funds at the tail end of the financial year.
7. The control is to check the impact of any new long term investment on the limit on the day of the of investment. We would not deal long term if the limit was exceeded, but it should be accepted that there is always the possibility that if total funds fall thereafter, the limit may be exceeded on that date. It will be appreciated that the cash flow can deviate from our forecast at any point during the year, despite our best endeavours to estimate ahead.

8. This was the position for the four days in March 2014 -as the position rectified itself on 1 April.

Policy Context

9. Treasury Management is an intrinsic part of the Councils financial management.

Other Options Considered

10. None.

Financial Implications

11. This report has no financial implications.

Risk Management Implications

12. This report discusses the risks involved in this aspect of Treasury Management.

Equality and Customer Service Implications

13. None.

Other Material Implications

14. None

Background Papers

- None

10. COMMITTEE WORK PROGRAMME 2014/15

Date	Agenda Item
23 September 2014	Audit Results Report 2013/14 Financial Statements 2013/14 Internal Audit Monitoring Report Internal Audit Recommendations Summary Treasury Management Update
19 November 2014	Annual Audit Letter (PS) Treasury Management Half Year Report (PS) Internal Audit Monitoring Report (PS) Internal Audit Recommendations Summary
17 March 2014	External Audit Plan for 2015/16 Audit (PS) Internal Audit Plan (PS) Internal Auditing Monitoring Report (PS) Internal Audit Recommendations Summary