

5. EXTERNAL AUDIT 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 External Auditor's Audit Plan for the 2012/13 audit, to present the Annual Report for the Certification of Claims and Returns, and finally, to present the 'Management Assurance' letter for the Committee's approval at the next meeting.

2. Recommendations

The Audit Committee is recommended to:

- a. **note the 2012/13 Audit Plan;**
 - b. **note the Annual Report for the certification of Claims and Returns, and;**
 - c. **delegate the Chairman to draft a response to the Management Assurance letter in consultation with the Head of Finance, in readiness for the next meeting of the Committee.**
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3. 2012/13 Audit Plan

3.1 Annex 1 is the audit plan setting out the work that the external auditors, Ernst and Young, intend to undertake for the audit of financial statements 2012/13. It is risk-based, and whilst the overall level of risk is stable, there are some specific risks listed on page 3 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 Audit Director on the nature and extent of her reporting of her work in these areas

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 Committees 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 in readiness for its approval at the next meeting . 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.

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



Mid Sussex District Council

Year ending 31 March 2013

Audit Plan

March 2013



Audit Committee
Mid Sussex District Council
Oaklands Road
Haywards Heath
West Sussex
RH16 1SS

1 March 2013

Dear Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2012/2013 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

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

We welcome the opportunity to discuss this report with you on 19 March 2013 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Helen Thompson
For and behalf of Ernst & Young LLP
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1. Overview

Context for the audit

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

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

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

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

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

By considering these inputs, our audit is focused on the areas that matter. And by focusing on the areas that matter, our feedback is more likely to be relevant to the Council.

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

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

We will provide an update to the Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2013.

Our process and strategy

- ▶ **Financial Statement Audit**
 - ▶ We will apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. We set our materiality based on the Council's level of gross expenditure. We also consider qualitative issues, such as the impact on the public's and other stakeholder understanding of your accounts and the information contained. Our audit is designed to identify errors above materiality.
 - ▶ We aim to rely on the Council's internal controls in the key financial systems to the fullest extent allowed by auditing standards. We identify the controls we consider important and seek to place reliance on internal audit's testing of those controls. Where control failures are identified we consider the most appropriate steps to take.
 - ▶ We seek to place reliance on the work of internal audit wherever possible. We have already liaised with Internal Audit over their coverage of the controls on which we would wish to undertake a programme of audit work.
- ▶ **Arrangements for securing Economy, Efficiency and Effectiveness**
 - ▶ We adopt an integrated audit approach such that our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

2. Financial Statement Risks

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

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

At this stage of our audit we have identified no significant audit risks.

Other financial statement risks	Our audit approach
<p>Bank reconciliation</p> <p>In previous years the bank reconciliation had contained balancing items. Officers have been working to improve the reconciliation, and were exploring further improvement options to reduce the risk of error from manual and time consuming processes.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Reviewing the completion and review of the bank reconciliation control during the year. ▶ Identifying and testing any reconciling items in the year-end reconciliation.
<p>Pension liability</p> <p>In 2012/13 the Council included employees of Freedom Leisure within its the Pension (IAS19) liability, on the basis that in its view the terms of the contract required the pension liability to stay with the Council. There were weaknesses in the arrangements to provide the actuary with accurate and timely pension contribution information that officers were seeking to improve.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Establish whether there are any changes in the contractual arrangements with Freedom Leisure, or any anticipated changes in the Council's accounting treatment. ▶ Review of the process to ensure the actuary is provided with improved contribution information. ▶ Calculation and disclosure of the IAS19 liability, and other explanatory disclosures.
<p>Risk of misstatement due to fraud and error</p> <p>Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud. Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.</p>	<p>Based on the requirements of auditing standards our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Identifying fraud risks during the planning stages. ▶ Enquiry of management about risks of fraud and the controls put in place to address those risks. ▶ Understanding the oversight given by those charged with governance of management's processes over fraud. ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud. ▶ Determining an appropriate strategy to address those identified risks of fraud. ▶ Performing mandatory procedures regardless of specifically identified fraud risks. <p>We will consider the results of the National Fraud Initiative and may make reference to it in our reporting to you.</p>

3. Economy, Efficiency & Effectiveness

Our work will focus on:

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

The table below provides a high-level summary of our risk assessment and our proposed response to those risks. At this stage of our audit we have not identified any significant audit risks.

Other risks	Our audit approach	
Financial standing		
The Council continues to experience funding challenges from national policies.	Economy, efficiency and effectiveness Financial resilience	Our approach will focus on: <ul style="list-style-type: none"> ▶ Reviewing the Council's medium term financial plan and 2013/14 budget, and evaluating the reasonableness of the key assumptions. ▶ Evaluating the progress of the key programmes implemented by the Council to achieve efficiencies and savings.

4. Our audit process and strategy

4.1 Objective and scope of our audit

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

- i) financial statements; and
- ii) arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

i) Financial Statement Audit

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

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

ii) Arrangements for securing economy, efficiency and effectiveness

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

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

4.2 Audit process overview

As part of our audit planning procedures we have assessed the design of your internal controls, determining that an effective audit strategy will be to take a controls reliance approach. Therefore, we will test the controls we determine as key to preventing and detecting material misstatement in the processes we list below.

In implementing this strategy, we intend to place reliance on the work of internal audit as much as possible, while complying with the requirements of auditing standards. The intended pieces of internal audit work identified as directly relevant to our audit strategy is:

- ▶ Benefits
- ▶ Payroll
- ▶ Income collection (cashiers)

- ▶ Treasury management
- ▶ Payments (creditors)
- ▶ Sundry debtors
- ▶ Capital accounting and asset management
- ▶ External audit – top up testing

Processes

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

- ▶ Debtors
- ▶ Creditors
- ▶ Business rates
- ▶ Council Tax
- ▶ Cash processing
- ▶ Housing & Council Tax Benefits
- ▶ Payroll
- ▶ Treasury management

Analytics

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

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

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

Internal audit

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

Use of experts

We will utilise specialist Ernst & Young resource, as necessary, to help us to form a view on judgments made in the financial statements. Our plan currently includes the involvement of specialists in pensions, and potentially property valuations.

Other Procedures

We have to perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline the procedures we will undertake during the course of our audit.

Mandatory procedures required by auditing standards on:

- ▶ Addressing the risk of fraud and error.
- ▶ Significant disclosures included in the financial statements.
- ▶ Entity-wide controls.
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements.
- ▶ Auditor independence.

Procedures required by the Code

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

4.3 Materiality

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

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

ISA (UK & Ireland) 450 (revised) requires us to record all misstatements identified except those that are "clearly trivial". We intend to treat misstatements less than £72,000 as clearly trivial. All uncorrected misstatements found above this amount will be presented to you in our year-end report.

4.4 Fees

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of the Council is £66,489.

4.5 Your audit team

The engagement team is led by Helen Thompson, who has significant experience on Mid Sussex District Council. Helen is supported by Kevin Suter who is responsible for the day-to-day direction of audit work.

4.6 Timetable of communication, deliverables and insights

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

We will provide a formal report to the Audit Committee in September 2013. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chairman as appropriate.

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

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning:	December	December Committee	Audit Fee letter
Risk assessment and setting of scopes	January to March	March Committee	Audit Plan
Testing of routine processes and controls	March/April		
Year-end audit	July – September	September Committee	Report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources).
	October		Audit completion certificate Annual Audit Letter

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

5. Independence

5.1 Introduction

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

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

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

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

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

5.2 Relationships, services and related threats and safeguards

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

Self interest threats

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

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

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

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

Self review threats

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

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

Management threats

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

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

Other threats

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

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

Overall Assessment

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

5.3 Other required communications

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

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

[UK 2012 Transparency Report](#)

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2012/13 £'000	Actual Fee 2011/12 £'000	Explanation of variance
Total Audit Fee – Code work	66,489	110,815	40% reduction achieved by the Audit Commission outsourcing its audit practice.
Certification of claims and returns	12,000	16,162	Our fee for the 2012/13 certification of grant claims is based on the indicative scale fee set by the Audit Commission. Prior year fee represents actual hourly charges.
Non-audit work	0	0	

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

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ We are able to place reliance, as planned, on the work of internal audit;
- ▶ The level of risk in relation to the audit of accounts is consistent with that in the prior year;
- ▶ No significant changes being made by the Audit Commission to the use of resources criteria on which our conclusion will be based;
- ▶ Our accounts opinion and use of resources conclusion being unqualified;
- ▶ Appropriate documentation is provided by the Council to support the financial statements that supports all entries in the accounts, is consistent with the accounts provided for audit, and is reviewed by an appropriate officer; and
- ▶ An effective control environment operating for the whole of the financial year.

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

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

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the audit committee of audited clients. These are detailed here:

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

Required communication	Reference
<p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>For listed companies, communication of minimum requirements as detailed in the ethical standards:</p> <ul style="list-style-type: none"> ▶ Relationships between Ernst & Young, the audited body and senior management ▶ Services provided by Ernst & Young that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by Ernst & Young analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the ethical standards ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	governance
<p>Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Report to those charged with governance
<p>Significant deficiencies in internal controls identified during the audit</p>	Report to those charged with governance
<p>Opening Balances (initial audits)</p> <ul style="list-style-type: none"> ▶ Findings and issues regarding the opening balance of initial audits 	Report to those charged with governance
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	Audit Plan Report to those charged with governance and Annual Audit Letter if considered necessary

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Annual Certification Report (2011/12)

Report to those charged with governance

Date: January 2013

Ernst & Young LLP



The Members of the Audit Committee
Mid Sussex District Council
Oaklands Road
Haywards Heath
RH16 1SS

24 January 2013

Dear Sirs

Annual Certification Report (2011/12)

We are pleased to attach our annual certification report for the forthcoming meeting of the Audit Committee. This report summarises the results of certification work undertaken at Mid Sussex District Council on 2011/12 claims and returns.

Scope of work

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. Often these grant-paying bodies required certification from an appropriately qualified auditor of the claims and returns submitted to them.

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

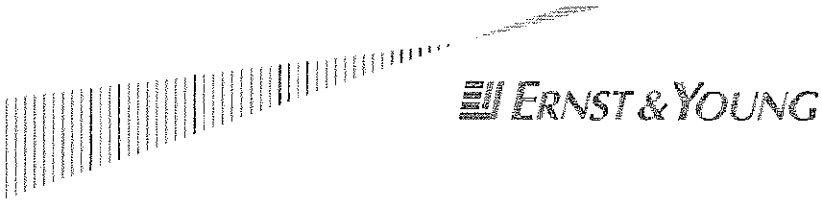
Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. When such arrangements are made, certification instructions issued by the Audit Commission to Ernst & Young as appointed auditors of the Council set out the work we must undertake before issuing our certificate. We certify grants and claims as they arise throughout the year to meet the audited claim/return submission deadlines set by the grant-paying bodies.

Statement of Responsibilities of Auditors and Audited Bodies

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 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.

This Annual Certification Report is prepared in the context of the statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party. Following the appointment of Ernst & Young



as auditor for the year ended 31 March 2013 we have been requested to prepare this Annual Certification in respect of the year 2011/12. However the certification reported on herein was performed by Audit Commission staff prior to 31 October and therefore not under the direction and supervision of Ernst & Young and accordingly we take no responsibility to the council nor to any third party for the work undertaken.

Results of certification work

For the period 1 April 2011 to 31 March 2012 the Audit Commission's Audit Practice certified 2 claims and returns with a total value of £76.2million. This work was completed prior to Ernst & Young being appointed auditor.

Of the claims certified, no claims were qualified or amended. All deadlines for submission of certified claims and returns were met.

Fees for certification work are summarised in appendix A.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting scheduled on 19 March 2013.

Yours faithfully
for and on behalf of Ernst & Young LLP

David Wilkinson
Partner
Ernst & Young LLP
United Kingdom
Enc.

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1. Summary of 2011/12 Certification Work

Claim or return	Certificate Instruction (CI) Reference	2012/13 Claim Value Emission	Qualification (Q) Amendment (A) Neither (-)	Reason for issue, and financial effect.
Housing and council tax benefit scheme	BEN01	36.9	-	
National non-domestic rates return	LA01	39.3	-	

2. Progress on previous auditor recommendations

No recommendations were made in previous years. No follow up work is therefore required.

Appendix A Certification Fees

Claim/Return	2011/12 Actual £	2010/11 Actual £	Explanation of significant variances
Housing and council tax benefit scheme	14,858	17,833	2011/12 certification work was completed by an experienced member of staff who completed all of the Census Housing Benefits audits, therefore, achieving audit efficiencies. In the course of the work there were fewer queries over the sampled cases, contributing to reduced time spent. This will vary year on year depending on the random sample selected for testing.
National non-domestic rates return	1,304	1,108	Certification was charged by the Audit Commission's Audit Practice on an hourly rate. Variance is not significant, and to be expected from minor differences in hours undertaken year-on-year.
Other claims not requiring certification in 2011/12	-	422	Certification no longer required in 2011/12 for the Disabled Facilities Grant.
Total	16,162	19,363	

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Audit Committee
Mid Sussex District Council
Oaklands Road
Haywards Heath
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RH16 1SS

1 March 2013

Ref: MSDC12/13TCWGassurance

Direct line: 023 8038 2099

Email: hthompson2@uk.ey.com

Dear Councillor Lea

Understanding how the Audit Committee gains assurance from management

Auditing standards require us to formally update our understanding of your management processes and arrangements annually. Therefore, I am writing to ask that you please provide a response to the following questions.

1. How does the Audit Committee, as 'those charged with governance' at the Authority, 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 Authority, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
 - ▶ communicating to employees its view on business practice and ethical behavior (for example by updating, communicating and monitoring against the Authority code of conduct);
 - ▶ encouraging employees to report their concerns about fraud; and
 - ▶ communicating to you the processes for identifying and responding to fraud or error?
2. How does the Audit Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?
3. Is the Committee aware of any:
 - ▶ breaches of, or deficiencies in, internal control; and
 - ▶ actual, suspected or alleged frauds during 2012/13?
4. Is the Committee aware any organisational or management pressure to meet financial or operating targets?

5. How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2012/13?
6. Is the Audit Committee aware of any actual or potential litigation or claims that would affect the financial statements?
7. How does the Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

Yours sincerely



Helen Thompson
Ernst & Young LLP
United Kingdom

6. STATUS REPORT ON ACTION PLAN OF AUDIT RECOMMENDATIONS

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

Wards Affected: All
Key Decision No

Purpose Of Report

1. The purpose of this report is to update the Committee on the implementation of previously agreed recommendations set out in the Audit Commission's Annual Governance Report 2011/12.

Recommendations

2. **The Audit Committee is asked to receive the report.**
-

Background

3. At the Audit Committee meeting on 25th September 2012, Members received the Annual Governance report for 2011/12 from the Audit Commission, which detailed the findings from the external audit of the 2011/12 Accounts. The report detailed a number of Appendices, including Appendix 6 - Action Plan. This contained 6 recommendations for action by officers that dealt with the presentation of and process of drawing up the Financial Statements.
4. As was the case last year, a status report on the Action Plan was requested to be presented to the March Audit Committee meeting. This report provides the latest update on progress made on implementing the recommendations contained in the Action Plan. These are set out in Appendix A of this report.

Financial Implications

5. This report does not have any financial effects.

Risk Management Implications

6. 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

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

Other Material Implications

8. None.

Background Papers

Annual Government Report 2011/12

http://www.midsussex.gov.uk/media/120925_fullreport.pdf

Appendix A

Audit Commission Recommendation		Responsibility	Date	Comments / Progress to date
Recommendation 1	Extend your current componentisation policy to all property, plant and equipment valued above your de minimis level irrespective of the basis for valuation.	Chief Accountant	For the 2012/13 financial statements.	Work has been on-going over the winter with our external valuer, Wilks Head & Eve LLP. For 2012/13 onwards, our assets are being re-valued over on a 5 year rolling programme. Work has now been completed on the first tranche of assets which includes the Leisure Centres, Civic Halls and Oaklands. As part of this work, our external valuer has now calculated component values for these assets. This complies with the recommendation to extend our componentisation policy to all property, plant and equipment valued above the de minimus level .
Recommendation 2	Establish a process to gain assurance that Freedom Leisure provides your local government pension scheme actuary, Hymans Robertson, with an accurate estimate of employers contributions made for transferred leisure services staff.	Chief Accountant	For the 2012/13 financial statements.	A process was established at one of the quarterly meetings with Freedom Leisure during the late summer, to ensure accurate and robust information is provided for the 2012/13 Accounts. This will be introduced as part of the 2012/13 accounts preparation.

Audit Commission Recommendation		Responsibility	Date	Comments / Progress to date
Recommendation 3	Investigate the benefit of further simplifying and automating the process for updating the cash and bank system with receipts and payments initiated by your other main financial systems.	Chief Accountant	By 31 March 2013.	<p>A fully reconciled cumulative year to date position has been in place since January 2012, and this has continued for 2012/13. The Council's bank reconciliation system has been further enhanced to include direct links to the bank statement, cash receipting and the general ledger.</p> <p>These automated enhancements have reduced data entry time and helped mitigate the risk of errors, thereby reducing the time taken to complete the reconciliation on a daily basis. It is therefore considered that this action is complete</p>
Recommendation 4	Keep under review your approach to accruals accounting so that you can demonstrate that departures from the accruals principal are necessary and have no material effect on your financial statements.	Chief Accountant	For the 2012/13 financial statements	<p>This is subject to periodic discussions, but with no changes required to date. This will be reviewed again in May 2013 as part of the final accounts process</p>

Audit Commission Recommendation		Responsibility	Date	Comments / Progress to date
Recommendation 5	Re-consider the accounting policy you apply for cash and cash equivalents to satisfy yourself that it complies with the requirements of IAS 7.	Chief Accountant	For the 2012/13 financial statements	<p>Work is on-going to review all in-year transactions. To date, the latest review has identified the need for some coding corrections, in order to re-classify a number of Investments (mk73) transactions, as Cash Equivalent (mk74) transactions.</p> <p>This recoding is necessary because these amounts were being held to meet short-term cash commitments (all held for less than 30 days), and there was no risk of significant change in value as the rate of interest was generally the same or lower than the rate from money market funds. This review ensures that the accounting policy we are applying for cash and cash equivalents will comply with the requirements of IAS 7.</p>
Recommendation 6	Re-consider your current approach to producing the cash flow statement so that you are able to more easily and clearly support the disclosures made in the statement.	Chief Accountant	For the 2012/13 financial statements	This will be reviewed in May 2013 as part of the final accounts process.

7. INTERNAL AUDIT – MONITORING REPORT 19th March

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 2012-2013 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.

3. RECOMMENDATIONS

The Audit Committee is asked to receive the report.

4. REPORT TO AUDIT COMMITTEE

Progress on implementing previous recommendations

- 4.1 There are currently no outstanding high priority recommendations to report. The last report to Audit Committee which included a report on high priority recommendations was on 26th June 2012. Two recommendations were reported to have been satisfactorily implemented.
- 4.2 The recommendation in relation to the Income Collection audit surrounded the re-introduction of the automated bank reconciliation of the Income Collection system to the General Ledger. The latest management response was that the reconciliation was now being successfully carried out using a spreadsheet system on both a daily and cumulative basis. This has since been followed up as part of the Income Collection audit for which a final report was issued 14th December 2012.
- 4.3 A review of the bank reconciliation process was conducted by the Finance Systems Manager and Finance Systems Officer in October 2012 and this review concluded that the most appropriate way forward was to continue to use the spreadsheet system as it was regarded as easy to use, accurate, with minimal data entry and potential for further development.

Progress against the 2012-13 Internal Audit plan as at 19th March 2013

- 4.4 In line with the audit programme for the current year we have completed and issued the following reports;
- Housing Needs (Temporary Accommodation);
 - Purchasing and Fuel Cards;
 - Banking Arrangements;
 - NNDR Discretionary Rate Relief;
 - Grounds Maintenance Contracts;
 - Leisure Contract;
 - Refuse Contract;
 - Local Land Charges;
 - Payroll;
 - Income Collection;
 - Creditors;
 - Sundry Debtors;
 - Budgetary Control;
 - Capital Accounting and Asset Management; and
 - CenSus Benefits.
- 4.4 There were no high priority recommendations for any of these audits.
- 4.5 Additionally, at a meeting of the Audit Committee on 26th June 2012 the Committee Chairman inquired about how the Council ensured that all relevant policies and procedures were in place. Following the meeting Internal Audit agreed the scope of a review of the policies and procedures in place for the statutory services provided by the Council with the Head of Finance.
- 4.6 A draft report was issued for this audit 23rd November 2012 and included one medium-priority recommendation. This was in relation to statutory policies and procedures within Environmental Health, Crime & Disorder and Homelessness not having been reviewed and updated with sufficient frequency. Satisfactory management responses were subsequently received regarding implementation of the recommendation and a final report was issued 6th March 2013.
- 4.7 Four audits in the plan in appendix A have been removed by the Head of Finance since the last report to Audit Committee. Reviews of Staff Training, the Contact Centre and Risk Management will no longer be performed as they were not considered fundamental to the Council's risk profile. The Use of Data audit has been postponed until 2013/14 due to similar work currently being undertaken in this area by officers.

Background Papers

Internal Audit reports relating to 2012-2013
Working papers relating to 2012-2013.

**Mid Sussex District Council
Internal Audit Plan 2012/13
Progress Report 19th March 2013**

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	15 Oct 2012						Audit to be conducted by Horsham
Council Tax – CenSus Partners	High	N/A	Qtr 3	26 Nov 2012						Audit to be conducted by Adur
Housing Benefits – CenSus Partners	High	25	Qtr 3	8 Oct 2012	18 Dec 2012	28 Jan 2013	4 Feb 2013	29 Jan 2013	N/A	Audit to be conducted by Mid Sussex
Payroll	High	5	Qtr 4	21 Jan 2013	4 Feb 2013	20 Feb 2013	27 Feb 2013	20 Feb 2013	N/A	
Income Collection (Cashiers)	High	10	Qtr 3	26 Nov 2012	14 Dec 2012	14 Dec 2012	21 Dec 2012	14 Dec 2012	N/A	
Treasury Management	High	5	Qtr 4	20 Feb 2012						
Payments (Creditors)	High	5	Qtr 4	14 Jan 2013	25 Jan 2013	25 Jan 2013	1 Feb 2013	29 Jan 2013	N/A	
Sundry Debtors	High	5	Qtr 3	29 Oct 2012	7 Nov 2012	7 Nov 2012	14 Nov 2012	7 Nov 2012	N/A	
Capital Accounting & Asset Management	Medium	7	Qtr 4	21 Jan 2013	31 Jan 2013	4 Feb 2013	11 Feb 2013	4 Feb 2013	N/A	
Budgetary Control	Medium	4	Qtr 3	6 Nov 2012	16 Nov 2012	16 Nov 2012	23 Nov 2012	19 Nov 2012	N/A	
Computer Audit										
Programme and Project Management	High	10	Qtr 3	18 Oct 2012						
Service and Support (ITIL service desk)	High	5	Qtr 3	5 Mar 2013						
ICT Strategy	High	8	Qtr 4	20 Feb 2013						
Resource Link	High	8	Qtr 2	25 Sep 2012						
PSN Compliance (Formally GSi CoCo Compliance)	High	2	Qtr 4	5 Mar 2013						

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										
Housing Needs (Temporary Accommodation)		8	Qtr 1	14 May 2012	1 June 2012	7 June 2012	14 June 2012	7 June 2012	N/A	
Purchasing and Fuel Cards		6	Qtr 1	28 May 2012	9 July 2012	30 July 2012	6 Aug 2012	1 Aug 2012	N/A	
Banking Arrangements		5	Qtr 1	25 June 2012	6 Sept 2012	10 Oct 2012	17 Oct 2012	10 Oct 2012	N/A	
Grounds Maintenance Contracts*		5	Qtr 2	20 Aug 2012	11 Sept 2012	13 Sept 2012	20 Sept 2012	13 Sept 2012	N/A	
Refuse Contract*		5	Qtr 2	3 Sept 2012	11 Sept 2012	23 Jan 2013	30 Jan 2013	24 Jan 2013	N/A	
Leisure Contract*		5	Qtr 2	24 Sept 2012	3 Oct 2012	4 Oct 2012	11 Oct 2012	4 Oct 2012	N/A	
NNDR Discretionary Rate Relief		5	Qtr 2	4 July 2012	9 Aug 2012	29 Aug 2012	5 Sept 2012	29 Aug 2012	N/A	
Use of Data		40	Qtr 3							Postponed until 2013/14
Local Land Charges		7	Qtr 3	10 Dec 2012	11 Jan 2013	11 Jan 2013	18 Jan 2013	14 Jan 2013	N/A	
Statutory Policies and Procedures		5	Qtr 3	23 Oct 2012	23 Nov 2012	5 Mar 2013	12 Mar 2013	6 Mar 2013	N/A	
Staff Training		6	Qtr 4							Removed from plan
Corporate Governance (Follow-up of 2010/11 audit)		2	Qtr 4	4 Feb 2013						
Risk Management		6	Qtr 4							Removed from plan
Contact Centre		5	Qtr 4							Removed from plan
Design and Print		5	Qtr 4	16 Jan 2013						

*There was a Facilities Management Contracts audit with a budget of 15 days in the original audit plan. The budget has been split equally into three separate audits to look at specific contracts.

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.

8. INTERNAL AUDIT – 2012/13 Recommendations 19th March 2013

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 to update the Committee on the types of recommendations raised across all of the audits completed during 2012/13 to date. This is in response to a request made by Members at the last Audit Committee meeting on 27th November 2012.

2. SUMMARY

- 2.1.1 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 Audit Committee is asked to receive the report.

4. REPORT TO AUDIT COMMITTEE

Progress on implementing previous recommendations

- 4.1 During 2012/13 to date, 16 audit reports have been issued. Included within these reports are a total of 52 recommendations of which 27 were rated as medium priority and 25 as low priority. No high priority recommendations have been raised during 2012/13 to date.
- 4.2 Appendix A shows a breakdown of the recommendations across each audit report issued to date by the following types:
- Policies and procedures
 - Staff training
 - Record keeping/ maintenance
 - Data/ financial security
 - Authorisation of transactions
 - Contract/ budget monitoring
 - System error

- 4.3 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 2012-2013
Working papers relating to 2012-2013.

**Mid Sussex District Council
Internal Audit Plan 2012/13
Progress Report 19th March 2013**

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 monitoring	System error
CenSus Benefits	18/12/12	29/01/13	-	3	7	10	5	-	2	-	1	1	1
Income Collection (Cashiers)	14/12/12	14/12/12	-	-	1	1	1	-	-	-	-	-	-
Sundry Debtors	07/11/12	07/11/12	-	1	-	1	-	-	-	-	1	-	-
Budgetary Control	16/11/12	19/11/12	-	-	-	-	-	-	-	-	-	-	-
Payroll	04/02/13	20/02/13	-	1	1	2	-	-	2	-	-	-	-
Payments (Creditors)	25/01/13	29/01/13	-	1	-	1	-	-	-	-	1	-	-
Capital Accounting & Asset Management	31/01/13	04/02/13	-	-	-	-	-	-	-	-	-	-	-
Purchasing and fuel cards	09/07/12	01/08/12	-	6	4	10	3	-	3	1	3	-	-
Banking Arrangements	06/09/12	10/10/12	-	2	3	5	3	-	-	-	-	2	-
Housing Needs - Temporary Accommodation	01/06/12	07/06/12	-	3	3	6	2	1	1	2	-	-	-
Refuse Contract	11/09/12	24/01/13	-	1	-	1	-	-	-	-	-	1	-
GM Contract	11/09/12	13/09/12	-	4	3	7	-	-	1	-	1	5	-
Leisure Contract	03/10/12	04/10/12	-	-	-	-	-	-	-	-	-	-	-
NNDR - Discretionary Rate Relief	09/08/12	29/08/12	-	4	1	5	2	-	1	-	-	1	1
Local Land Charges	11/01/13	14/01/13	-	-	2	2	2	-	-	-	-	-	-
Statutory Policies & Procedures	23/11/12	06/03/13	-	1	-	1	1	-	-	-	-	-	-

9. INTERNAL AUDIT – ANNUAL INTERNAL AUDIT PLAN 2013/14

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

- 1.1 The purpose of this report is to inform the Committee of the detailed work proposed for 2013/14.

2. SUMMARY

- 2.1 The 2013/14 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 Ernst & Young in support of their year-end work.

3. RECOMMENDATIONS

The Committee is asked to receive and approve the detailed Internal Audit Plan for 2013/14 (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 plan.

5. Internal Audit Plan

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 2013/14 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.

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 76 days is allocated for this work for 2013/14, which represents 37% 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 20 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 10 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. This review was originally planned for 2012/13 but was postponed and now forms part of the plan for 2013/14.

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 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 2011.

8. Financial Implications

- 8.1 The detailed 2013/14 Internal Audit plan has been compiled to ensure it remains within the budget for that financial year.

Background Papers:

Mid Sussex District Council 2013/2014 Internal Audit Plan

	Systems	IT	Total	Comments
<i>Fundamentals</i>				
Council Tax	20		20	Work to cover the 3 CenSus Councils.
Payroll	5		5	
Income Collection (Cashiers)	10		10	Compliance with Audit
Treasury Management	5		5	Commission requirements plus
Payments (Creditors)	5		5	assessment of "work arounds"
Sundry Debtors	5		5	that limit benefits realisation
Capital Accounting & Asset Management	7		7	from the efficient utilisation of
Budgetary Control	4		4	the key systems
External Audit - Top Up testing	15		15	
<i>Risk-Based & Corporate</i>				
Procurement	6		6	A review of the contract management arrangements in place for key contract(s) for the Council.
Pitches & Pavilions	6		6	A review of the controls in place around the bookings process and income recovery.
Anti Fraud Work	7		7	A review of the controls in place around the recording and investigation of benefit fraud, including NFI work.
Land & Property	7		7	Assess the controls in place to ensure the Council is maximising income from its assets.
VFM				
Use of data (carried over from 2012/13)	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.
Landscapes	10		10	Value for money exercise of expenditure incurred outside of existing contracts.

ICT Audits

Back Up & Disaster Recovery	5	5	Ensuring that processes and procedures are in place and tested that will allow the to recover from a failure in IT systems.
Change & Configuration Management	7	7	To ensure that changes to systems are managed to minimise impact on service delivery.
<i>To be allocated</i>	8	8	

Sub Total	122	20	142
Follow Ups	10		10
Contingency	5		5
Sub Total	137	20	157

Management & Planning

Committees			12
Operational Management			24
CIA Time			12
			48
Total days			205