

Democratic Services

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Date: 9 March 2016

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To: All Members of the Corporate Audit Committee

Councillors: Brian Simmons (Chair), Chris Dando, Andrew Furse, Barry Macrae and Christopher Pearce

Independent Member: John Barker

Chief Executive and other appropriate officers

Press and Public

Dear Member

Corporate Audit Committee: Thursday, 24th March, 2016

You are invited to attend a meeting of the **Corporate Audit Committee**, to be held on **Thursday, 24th March, 2016 at 2.00 pm** in the. **Kaposvar Room - Guildhall, Bath.**

The agenda is set out overleaf.

Yours sincerely

Sean O'Neill
for Chief Executive

If you need to access this agenda or any of the supporting reports in an alternative accessible format please contact Democratic Services or the relevant report author whose details are listed at the end of each report.

NOTES:

1. **Inspection of Papers:** Any person wishing to inspect minutes, reports, or a list of the background papers relating to any item on this Agenda should contact Sean O'Neill who is available by telephoning Bath 01225 395090 or by calling at the Guildhall Bath (during normal office hours).
2. **Public Speaking at Meetings:** The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group. Advance notice is required not less than two full working days before the meeting (this means that for meetings held on Wednesdays notice must be received in Democratic Services by 4.30pm the previous Friday)

The public may also ask a question to which a written answer will be given. Questions must be submitted in writing to Democratic Services at least two full working days in advance of the meeting (this means that for meetings held on Wednesdays, notice must be received in Democratic Services by 4.30pm the previous Friday). If an answer cannot be prepared in time for the meeting it will be sent out within five days afterwards. Further details of the scheme can be obtained by contacting Sean O'Neill as above.

3. **Details of Decisions taken at this meeting** can be found in the minutes which will be published as soon as possible after the meeting, and also circulated with the agenda for the next meeting. In the meantime details can be obtained by contacting Sean O'Neill as above.

Appendices to reports are available for inspection as follows:-

Public Access points - Reception: Civic Centre - Keynsham, Guildhall - Bath, Hollies - Midsomer Norton, and Bath Central, Keynsham and Midsomer Norton public libraries.

For Councillors and Officers papers may be inspected via Political Group Research Assistants and Group Rooms/Members' Rooms.

4. **Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control.

Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators.

To comply with the Data Protection Act 1998, we require the consent of parents or guardians before filming children or young people. For more information, please speak to the camera operator

The Council will broadcast the images and sound live via the internet www.bathnes.gov.uk/webcast An archived recording of the proceedings will also be available for viewing after the meeting. The Council may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

5. **Attendance Register:** Members should sign the Register which will be circulated at the meeting.
6. THE APPENDED SUPPORTING DOCUMENTS ARE IDENTIFIED BY AGENDA ITEM NUMBER.
7. **Emergency Evacuation Procedure**

When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are sign-posted.

Arrangements are in place for the safe evacuation of disabled people.

<i>This Agenda and all accompanying reports are printed on recycled paper</i>

Protocol for Decision-making

Guidance for Members when making decisions

When making decisions, the Cabinet/Committee must ensure it has regard only to relevant considerations and disregards those that are not material.

The Cabinet/Committee must ensure that it bears in mind the following legal duties when making its decisions:

- Equalities considerations
- Risk Management considerations
- Crime and Disorder considerations
- Sustainability considerations
- Natural Environment considerations
- Planning Act 2008 considerations
- Human Rights Act 1998 considerations
- Children Act 2004 considerations
- Public Health & Inequalities considerations

Whilst it is the responsibility of the report author and the Council's Monitoring Officer and Chief Financial Officer to assess the applicability of the legal requirements, decision makers should ensure they are satisfied that the information presented to them is consistent with and takes due regard of them.

Corporate Audit Committee - Thursday, 24th March, 2016

at 2.00 pm in the Kaposvar Room - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

The Chair will draw attention to the emergency evacuation procedure as set out under Note 8.

2. ELECTION OF VICE-CHAIR

To elect a Vice-Chair (if required) for this meeting.

3. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

4. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to indicate:

(a) The agenda item number in which they have an interest to declare.

(b) The nature of their interest.

(c) Whether their interest is a **disclosable pecuniary interest** or an **other interest**, (as defined in Part 2, A and B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

5. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair will announce any items of urgent business.

6. ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

7. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

To deal with any petitions, statements or questions from Councillors and, where appropriate, co-opted and added Members.

8. MINUTES: 4 FEBRUARY 2016 (Pages 7 - 10)

9. INTERNAL AUDIT ANNUAL REPORT (Pages 11 - 22)

10. INTERNAL AUDIT ANNUAL PLAN (Pages 23 - 44)

11. EXTERNAL AUDIT UPDATE REPORT (Pages 45 - 56)
12. EXTERNAL AUDIT PLAN (Pages 57 - 78)

The Committee Administrator for this meeting is Sean O'Neill who can be contacted on 01225 395090.

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Thursday, 4th February, 2016, 2.30 pm

Councillors: Brian Simmons (Chair), Andrew Furse and Eleanor Jackson (In place of Chris Dando)

Independent Member: John Barker

Officers in attendance: Andy Cox (Audit Manager), David Waters (Financial Policy & Fund Manager), Gary Adams (Finance and Resources Manager), Lynn Cary (Senior Customer Services Officer) and Robert John (Customer Services Team Leader)

Guests in attendance: Barrie Morris (Grant Thornton)

77 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

78 ELECTION OF VICE-CHAIR

RESOLVED that a Vice-Chair was not required on this occasion.

79 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Chris Dando, for whom Eleanor Jackson substituted.

80 DECLARATIONS OF INTEREST

There were none.

81 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

82 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

83 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

Members thanked Arlingclose and officers for the extremely helpful training session on Treasury Management that had preceded the meeting.

84 MINUTES: 8TH DECEMBER 2015

These were approved as a correct record and signed by the Chair.

85 EXTERNAL AUDIT UPDATE REPORT

Mr Morris presented the report. He updated the Committee on two matters.

A. Grant Certification Report

He drew attention to the letter attached as Appendix 1 to the report, relating to the Housing Benefit Return. The letter identified a number of areas where errors had been made. This work is undertaken on behalf of the Department of Work and Pensions and has to be done according to a prescribed process. There is no materiality limit, so all errors have to be reported. The level of errors found this year had been higher than expected. However, it had been agreed with officers that there would be no additional audit fees this year on the basis that training was provided to relevant Council staff very late in the 2014/15 financial year.

A Member suggested that the errors were minimal in terms of their number and average value when compared with the total HB budget of nearly £55m. It was also the case that applicants made many more errors than Council staff. Mr Morris agreed, but explained that an amendment was only made when the value of an error could be fully quantified. If the number of cases to be reviewed was less than 100, then every single case was examined. Above that figure, extrapolation was applied. When extrapolation is used, the value of errors cannot be quantified. Error rates were high, so the total value of errors could be much higher than the stated figure. He emphasised that it is the number of errors and the error rates that are important.

A Member said that regardless of who was responsible for the error, it could be a tough challenge for low-income people to have to repay overpayments, even if this was spread over a long period.

Members put questions to the Customer Service Team:

Q: were they considering improving the HB application forms?

A: the forms have been shortened.

Q: did they give assistance to customers with reading difficulties?

A: a lot of work has been focussed on face-to face delivery, communication and understanding customers' circumstances.

Q: Can claims be made online?

A: No, but they can be made over the telephone.

Q: how many claims accounted for the £55m HB expenditure?

A: 9834.

Q: How long does it take to process a claim?

A: 45 minutes. Payment is made within seven days.

A Member asked whether Internal Audit had done any work on HB claims. The Audit Manager replied that Internal Audit had just completed an audit of the processing of HB claims and overpayments. The final report had been issued in January and had given an overall rating of level 3 "satisfactory". Two of the areas reviewed, including "claimants do not suffer financial loss" had been rated "good". The control objective in relation to HB overpayments had received a "satisfactory" rating. Management had responded positively to the audit recommendations. Nationally HB

overpayments had increased significantly. Increases in overpayment in B&NES were in line with the national trend. In response to a request from the Chair he agreed to circulate the report to Members.

Responding to a Member, Mr Morris said that the external auditors were satisfied with the actions the Council was taking to address the issues identified with HB claims.

B. External Audit Update

Mr Morris commented on the Committee Update paper (Appendix 2). He advised that the accounts audit plan would be tabled at the next meeting. The National Audit Office had assumed responsibility for setting the criteria for value for money. He provided copies of a document summarising their new approach to Members: this is attached as an appendix to these minutes.

A Member said that he would welcome a demonstration of CFO Insights, as offered in the update report (agenda page 27).

Mr Morris drew attention to:

- the CIPFA guidance on the establishment of auditor panels (agenda page 28)
- the CIPFA/HFMA report on the Better Care Fund (agenda page 28)
- the updated version of *Council accounts: a guide to your rights* now available on the NAO website
- changes in accounting for Highways Network Assets (agenda page 33)

The Chair noted that usually one objection to the Council's accounts is received every year, but that none was received last year.

In response to a question from a Member, the Corporate Finance Manager assured the Committee that work was in progress to value the Council's assets in accordance with IFRS 13 (agenda page 32).

Members raised concerns about the valuation of highway assets. One Member wondered whether the susceptibility to flooding of some roads, as in the Chew Valley, would be taken into account. Another noted that highway assets ranged from roads like the A46 and A4, in which the Government was unlikely ever to invest, and village roads. He thought it would be very difficult to put a book value on these assets. The Council might have a view of the value of a road investment that differed from its bare cost; there might be benefits, in terms of jobs and housing that justified a particular highways project. Another Member suggested that since the Council was not going to build a new road and sell the old one, it would be better to account for roads in terms of the ongoing liability for maintenance costs.

A Member referred to the Better Care Fund (agenda page 34), noted that the Clinical Commissioning Group had a looming funding shortfall by 2020 and wondered whether this would mean deficits in these budgets. Mr Morris replied that his focus

was on the accounting issues; he was unable to predict what the funding situation would be. Another Member asked whether the auditors might be required to certify that social care funds were being properly applied. Mr Morris said that there was no indication at present that they would be required to do so. The Corporate Finance Manager advised that the social care budget was ring-fenced.

RESOLVED to note the report and updates provided by the External Auditor.

86 TREASURY MANAGEMENT STATEMENT AND INVESTMENT STRATEGY

The Corporate Finance Manager presented the report. He reminded Members that the 2016/17 Treasury Management Strategy and Investment Strategy would be presented to Council for approval on 23rd February. He summarised the two strategies. He said that it remained the aim to postpone borrowing for as long as possible by using cash flow to fund the capital programme.

RESOLVED to approve:

1. the actions proposed within the Treasury Management Strategy Statement;
2. the Investment Strategy as detailed in Appendix 2.

87 ANNUAL GOVERNANCE REVIEW

The Audit Manager presented the report. The requirement of the Accounts and Audit Regulations 2015 to publish the Statement of Accounts earlier from 2017/18 was highlighted, i.e. 31st July 2018 rather than the end of September. It was stated that the governance review, carried out to produce the Annual Governance Statement, was already being carried out to comply with the revised timescale.

He drew attention to the criteria for 'significant' issues set out in paragraph 4.7. and in particular commented on the 'Public Interest' criteria.

The meeting ended at 3.51 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	24th March 2016	AGENDA ITEM NUMBER
TITLE:	Audit & Assurance Annual Report 2015/16	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1- Audit Plan Outturn Statement (forecast for 31 st March 2016)		

1 THE ISSUE

- 1.1 The Corporate Audit Committee received an update on the 8th December 2015 on progress in delivering the Annual Audit Assurance Plan 2015/16. This report has been compiled to provide an update to the Committee on progress against the Plan, a summary of audit performance and key issues, as well as the formal opinion on the internal control framework.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee notes the Internal Audit Annual Report 2015-16 and formal opinion on the internal control framework.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications relevant to this report.

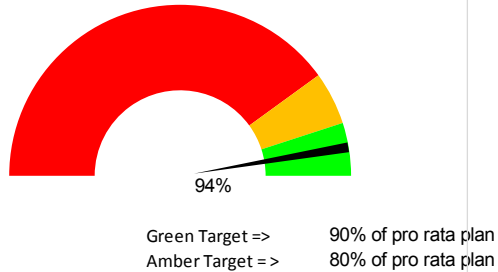
4 THE REPORT

- 4.1 The Annual Internal Audit Plan for 2015/16 was presented to the Corporate Audit Committee on the 26th March 2015. The Plan forms the principal work of the Internal Audit Service and is a significant source of assurance of the effectiveness of the council's internal control environment.
- 4.2 The Committee receives verbal updates at each meeting and a formal update on delivery against the plan was given on the 8th December 2015. This report builds upon that update and the chart overleaf records the forecast position as at 31st March 2016.

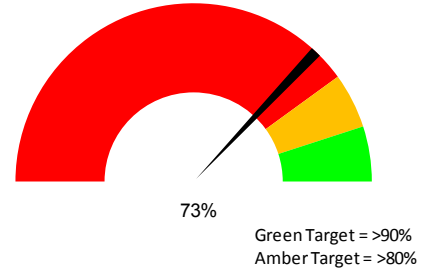
B&NES Audit & Risk Dashboard April 1st - March 2015/16

Internal Audit

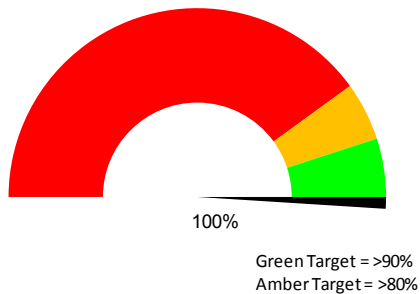
Annual Audit Plan Completed



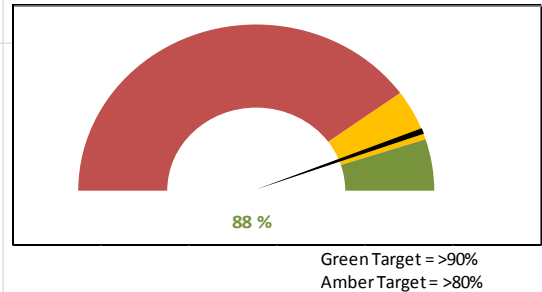
Audit Reviews Completed in Assigned Days



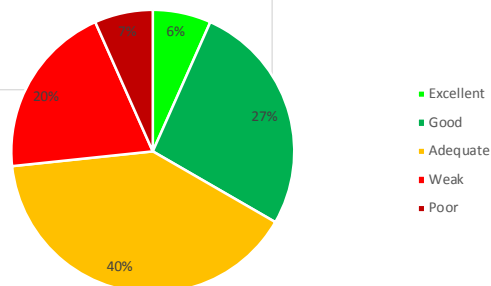
Customer Satisfaction - Good or Excellent



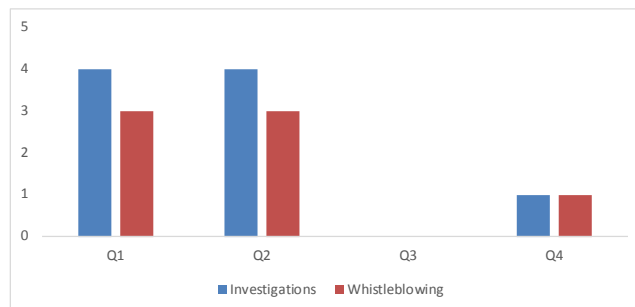
Recommendations (Critical / High) Implemented by Follow Up



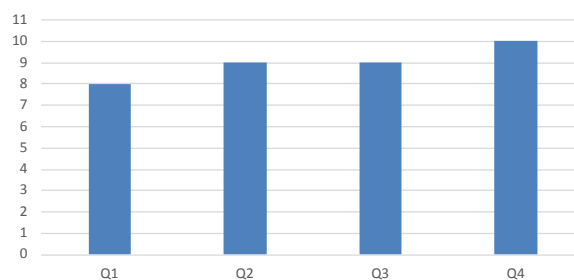
Assurance Level Provided



Investigations & Whistleblowing (cases started or on-going during the quarter)



Unplanned Audits



Equating to 109.0 Audit Days

PERFORMANCE SUMMARY

4.3 COMPLETION OF THE INTERNAL AUDIT PLAN

- 4.4 The performance dashboard shows that 94% of the plan is 'substantially completed'. This includes work that is either finalised, at reporting stage, or at the end of fieldwork.
- 4.5 When the half year position was reported in December we recorded that the Audit Team and partners had 'substantially completed' 40% of the Audit Plan. There was a need to improve performance during the 2nd half of the year and this has happened.
- 4.6 In terms of working in partnership, South West Audit Partnership will have completed three audits in the 4th quarter of the year. In addition, an Associate Auditor was used to complete an IT audit during February / March. As part of the restructuring of Audit West it was agreed that Associate Auditors (casual staff) would be recruited. Increasing resources available, adopting standard working processes across the partnership and completing single reviews where possible has helped to achieve the year end position.
- 4.7 Two new staff joined Audit West in January / February 2016. Both have settled in well and based on their previous experience they required minimal training and were working on audit reviews and fully productive within hours of starting their employment with the Council.
- 4.8 The main reason for not achieving 100% of the plan at the end of the year was 'unplanned' work. The Internal Audit Partnership with North Somerset Council formally commenced on 1st August 2015. As previously reported, more time than expected had to be spent by members of the Internal Audit Team to manage the integration of the North Somerset team to Audit West. In addition, work had to be carried out on preparing for a new 'Financial Assessments' service. Audit West will be carrying out financial assessments for new contracts to be awarded and continuing contracts of significant value.
- 4.9 Appendix 1 records reviews finalised, drafted or 'Work-In-Progress' in this financial year to the end of March 2016. This records that 28 Audits have been finalised / completed, another 20 were or expected to be in 'draft' form and 3 were not going to be completed in 2015/16.

4.10 AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS

- 4.11 The percentage of audits completed within the initial allocated days is recorded at 73%. This figure was calculated at the beginning of March and was based on audits recorded at that time as being at 'Final / Draft' Report stage. The Audit Software recorded 7 of the 26 Audits at 'Final / Draft' Report stage not being completed in assigned days.
- 4.12 For the majority of the 7 audits exceeding the allocated time, the reasons for going over time was considered reasonable by Audit Management. The importance of completing work within assigned number of days has been raised with the audit team and supervisory controls will continue to be monitored by the Management Team.

4.13 CUSTOMER SERVICE

4.14 Customer service and providing value to clients remains at the heart of the Partnership. We are pleased to report the performance remains at 100% and continues to demonstrate extremely high levels of satisfaction.

4.15 We also continue to receive excellent feedback in relation to our non-audit activities and this is demonstrated by the growth achieved in this area.

4.16 IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS

4.17 The service had focussed resources in this area to ensure that the critical/ high level recommendations have been implemented. These critical/ high level recommendations are ones that have identified key risks, or will best enable the organisation to reach its objectives.

4.18 The dashboard records the implementation of critical / high risk rated recommendations at the time the audit was 'Followed-Up' at 88%. Of the 20 audits 'Followed-Up' during the financial year to the end of February 2016, 12 had critical / high risk rated weaknesses / recommendations. For 7 of the 12 audits all critical / high recommendations were implemented.

4.19 There were therefore 5 audits (IT Procurement, Property Decision Making, Social Care Single Panel Process, Safer Recruitment, and Heritage Income & Ticketing) where the 'Follow-Up' identified that a single high risk recommendation had not been implemented. The management response, agreeing to a revised implementation date was acceptable and the relevant Divisional Director was informed so implementation could be monitored.

4.20 It should also be noted that 100% of audit recommendations proposed within our reviews during the year to date have been accepted and agreed by the respective service managers.

4.21 INVESTIGATIONS/ WHISTLEBLOWING

4.22 During the year 2015/16 the service has been involved in five investigations. Two of these were longstanding police referral cases and this has involved providing support as and when necessary. The three other cases required different levels of support. One went to a formal disciplinary hearing.

4.23 As reported in December, the investigations did identify a breakdown of the system of internal control for certain specific areas however there are not any systemic issues affecting the Council's framework of internal controls and governance. Action has been taken to correct any control weaknesses identified during our work.

4.24 ASSURANCE LEVEL PROVIDED

4.25 In 2015/16 (to the end of February 2016) 73% of 'Final' Audit Reports issued have an audit opinion of satisfactory to excellent (between Assurance Levels 3 and 5).

A single audit - Property Compliance - was allocated Assurance Level 1 'Poor Control Framework'. The audit findings and the response by Property Services Management will be subject of a verbal update at the Committee Meeting. There were also three audits (Heritage Income & Ticketing System, CCTV and Purchase Card Key Controls) which were allocated an Assurance Level 2 'Weak Control Framework' rating.

- 4.26** As reported to the December meeting of the Committee the Heritage audit focussed on project management (implementation) and security of the Galaxy IT System. The focus on system implementation was informed by the knowledge of delays in implementation and the objective of improving practices for the next phase of the system implementation.

The significant weaknesses were recorded as:

- a) The Business Continuity Plan (including the till system) had not been updated.
- b) The terms and conditions of the contract with the software supplier were not sufficiently detailed to provide assurance that the system would be recovered sufficiently quickly in the event of a business critical disaster
- c) Evidence was not maintained to verify that the system was being backed up by the software supplier.
- d) Too many users had full system access.
- e) Reports on the effectiveness of network security including the firewall were not being received.
- f) Monitoring of the project timetable and review of risks was not on-going.
- g) The latest version of antivirus software was on all terminals on the network.

Senior management agreed to implement all the recommendations by 31 December 2015. The Audit and its recommendations will be followed up in the final quarter of 2015/16.

- 4.27** The CCTV audit reviewed the management of CCTV including compliance with surveillance camera regulations and relevant legislation. There were 6 'High' risk and 16 'Medium' risk rated recommendations. The high risk weaknesses included:

- a) Contract Management arrangements – there wasn't evidence of regular contract management reviews with the Maintenance contractor.
- b) a CCTV Maintenance Programme had not been agreed with the CCTV Contractor in line with the Contract.
- c) management were not reviewing the 'Disclosure of Images' Log to ensure that CCTV disks provided to the Police and other external organisations were logged as required.
- d) Stored images on a PC were not being controlled or maintained in accordance with the Data Protection Act 1998.

e) movement of cameras from their predefined positions was not effectively controlled.

f) Due to non-centralised procurement of CCTV equipment there is not a governance framework in place to ensure all CTV schemes are being reviewed in line with the Home Office Surveillance Camera Code of Practice and legislation.

Management agreed to implement all of the audit recommendations and this audit will be followed-up in the early part of 2016/17.

4.28 The audit review of Purchase Card controls concluded that reasonable assurance could not be provided over two of the three key control objectives and based on this a 'Weak' Assurance Level was assigned. This did not mean that there was wide spread misuse of purchase cards. The report highlighted the need to improve the framework of internal control including comprehensive guidance to Managers on what they need to do to monitor card use and how they use the new Barclaycard Spend Management system to do this.

The Head of Strategic Procurement & Commissioning has agreed to implement all the recommendations and within a short period of time it was expected that the control framework would be re-assessed as 'good'.

4.29 UNPLANNED AUDITS / WORK

4.30 Ten pieces of unplanned work have required Internal Audit time over the year to date. This included the 5 investigations referred to in para 4.7.1. We have also responded to requests for help and assistance – e.g. 8 days were spent working on cases referred by colleagues supporting the West of England Local Enterprise Partnership Growth Fund. B&NES Council is the lead Authority and the Audit Team provided independent advice on claims submitted by those awarded Growth Fund monies.

4.31 The total amount of time spent on unplanned work was 109 days. The partnership recognises the importance and value to management of being able to respond to these types of requests and thus ensures that contingency is built into resources so that we can be flexible to needs.

4.32 JOINT WORKING WITH NORTH SOMERSET COUNCIL

4.33 The Committee has been regularly updated on the joint working arrangements between Bath and North East Somerset Council and North Somerset Council Internal Audit Services.

4.34 A formal proposal was made to the Executive of each council to create a formal partnership for the provision of its Audit & Assurance function and this was endorsed in December 2014.

4.35 The new arrangements formally commenced on the 1st August 2015 under a five year contract, with Bath & North East Somerset acting as host authority for the new 'Audit West' and all officers employed by B&NES in a single integrated structure.

4.36 As part of a formal process the seven existing employees from the North Somerset Internal Audit Team were transferred under TUPE to B&NES on the 1st August 2015.

4.37 In October 2015, the transferred staff from North Somerset were combined into a new structure encompassing the existing Bath & North East Somerset team as well as setting up the new 'Audit West' operating model to meet future expectations and demands under its contractual obligations.

4.38 This process has been challenging for all staff as everyone's role has effectively changed, with new expectations and demands placed upon everyone. The response has however been very positive with limited impact on performance and seven members of staff have been formally appointed to key roles within the new structure.

4.39 NON-CORE SERVICES

4.40 In addition to delivering the Audit and Assurance Plan, the partnership continues to provide a range of other functions which are not part of the core delivery of services to North Somerset Council.

4.41 This also means there has been an increased focus on chargeable work as this delivers the additional revenue to support our own savings plans, this includes selling services for:

- Business Continuity in Schools/Academies
- Internal Audit / Responsible Officer Support Service in Academies
- Business Rates Reviews for other Councils
- Financial Assessments

4.42 Further added value pieces of work were also delivered directly to the Council in 2015/16 including a project on Business Rates and GIS Mapping to create a complete layered map of key business within the area. This has enabled circa £300K of additional business rates billing to be identified and continues to deliver additional added value benefits.

4.43 Formal Opinion on Internal Control Framework –

Comments of the Head of Audit West (Chief Internal Auditor)

4.44 Despite a small number of financial irregularity investigations it is pleasing to note that within the year there were no fundamental system failures and it is my opinion that at this current time the Council's Internal Control framework and systems to manage risk are satisfactory.

- Reasonable assurance can be provided over the Council's systems of internal control, helping to ensure corporate priorities can be achieved;
- Agreed policies, Financial Regulations and Contract Standing Orders are broadly being complied with;
- Managers throughout the Council are aware of the importance of maintaining

adequate and effective governance arrangements;

- Appropriate arrangements are operated to deter and detect fraud and investigations did not identify any systemic failures;

- There were no fundamental system failures or control breakdowns to business critical functions.

4.45 Last year I reported that it was clear that with increased pressure on budgets, choices on the degree of internal control had to be made and the level of risk being accepted by the organisation is imperceptibly rising and this situation continues. This in itself is not a cause of undue concern at this time as the risk appetite level of Local Authorities is still broadly low to medium. Therefore applying a degree of flexibility to what is an acceptable level of risk is a sensible course of action to ensure the organisation's priorities continue to be delivered.

4.46 This does however place increased pressure on the Internal Audit function to adapt to this changing framework and also provide the right balance of scrutiny and support to management. Ensuring value from the function as well as providing a strong independent voice is a critical check in establishing successful organisational governance.

4.47 It is my view that our new partnership is a necessary step to ensure professional standards can be met, the right level of independence can be adopted and ultimately that the committee can rely on the advice and outcomes from audit work.

4.48 Finally the support of the Audit Committee remains vital to effective corporate governance and I would like to thank all the members of the committee for their input and guidance over the last 12 months.

5 RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6 EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out in relation to this report. There are no significant issues to report to the Committee.

7 CONSULTATION

7.1 The report was distributed to the S151 Officer for Consultation.

Contact person	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
Background papers	<i>Reports to Corporate Audit Committee – 26th March 2015 Internal Audit Plan - 2015/16 & 8th December 2015 Internal Audit Annual Plan (2015/16) – Six Month Performance Update</i>
Please contact the report author if you need to access this report in an alternative format	

Audit Reviews Position Statement (as at 31st March 2016)

Appendix 1

Audit Review Title	Status	Assurance Level	Recommendations	
			Made	Agreed
NNDR	Final	3	12	12
Lead Local Flood Authority - Flood & Drainage Programme Management	Final	3	8	8
Traffic & Safety (Traffic Signals & Intelligent Transport Systems)	Final	4	7	7
Adult Care - Debt Management	Final	3	8	8
Council Website (Internet Payments & Business Continuity)	Final	4	4	4
Deputyships	Final	4	5	5
Cleansing Enforcement	Complete	N/A	Position	Statement
Bereavement Services	Final	4	7	7
Heritage - Replacement income / ticketing System	Final	2	20	20
Section 106 / Community Infrastructure Levy	Final	4	2	2
School Financial Value Standards – Assessment of Certificates and Assurance to Chief Finance Officer to sign SFVS Annual Assurance Statement	Complete	N/A	Position	Statement
Liquid Logic - System Administration / Information Security	Complete	N/A	Position	Statement
School Theme - Info Security	Final	3	7	7
Property Compliance	Final	1	20	20
CCTV - compliance with Surveillance Camera / RIPA regulations.	Final	4	22	22
Somerset Business Rates Pool	Final	3	3	3
Car Parking Enforcement- Penalty Charge Notices	Final	4	4	4
HB Processing Claims & Subsidy Claim	Final	3	9	9
HB Overpayments	See above			
Payment Card Data Security	Final	3	4	4
Purchasing Card Key Controls Review	Final	2	10	10
Care Packages / Placements – Under the threshold	Draft			
Appointees - Duty of Care Client finances	Draft			
Care Act Implementation (New Liquid Logic IT System – System Development – Deferred Payment Agreements / client expenditure cap; state support asset levels)	Complete	N/A	Position	Statement
School Theme Review - Governance (Incl Saltford).	Draft			
Sexual Health Services Commissioning & Contract Management	Final	4	6	6
Community Transport	Final	3	10	10
Pension Fund - IT Systems	Final	3	10	10
Pensions Administration (Contributions / Membership Records)	Draft			
Revenue Estates - Asset Management Planning including Acquisitions & Disposals - M. Grainger	Draft			
Repairs & Maintenance - Identification / Scheduling of Works	Draft			
Project Delivery Revenue / Small Capital - Miles Barnes. Revenue £1.3m	See above			
Payroll - Itrent - System administration & Information Security	Draft			
Procurement - Pro-Contract	Complete	N/A	Position	Statement
IT Audit Review(s) - ID & Access Controls	See below			
IT Audit Review(s) - Mobile & Remote Working	Draft			
IT Audit Review(s) - Social Media	Complete	N/A	Position	Statement
Care – Contract Payments & Performance Monitoring	Draft			
Deprivation of Liberty Safeguards	Final	3	7	7
Better Care Fund				
Chew Valley Secondary School	Draft			
St.Marks Secondary School	Draft			
St. Gregorys	Draft			
School Theme Self-Assessment Reviews - Financial Planning	Draft			
School Theme Self-Assessment Reviews - Safeguarding	Draft			
Specialist Services - Contract Management (processing payments accurately / timely; pooled budgets - accurate / timely receipt of funding)	Draft			
Recycling				
Leisure Provision	Draft			
Heritage - Cash Collection & Banking Operation	Final	5	2	2
Housing Allocations	Draft			
Regeneration - Enterprise Area - Process Review				
Planning Fees	Draft			
Election Bank Account	Draft			
Members Allowances	Draft			

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Bath & North East Somerset Council			
MEETING:	Corporate Audit Committee		
MEETING DATE:	24th March 2016	AGENDA ITEM NUMBER	
TITLE:	Internal Audit Plan - 2016/17		
WARD:	ALL		
AN OPEN PUBLIC ITEM			
List of attachments to this report:			
Appendix 1 – Internal Audit Annual Plan 2016/17			

1 THE ISSUE

1.1 This is a report detailing the proposed Internal Audit Plan for 2016/17.

2 RECOMMENDATIONS

2.1 The Corporate Audit Committee is asked to:

- Approve the Internal Audit Plan for 2016/17

3 FINANCIAL IMPLICATIONS

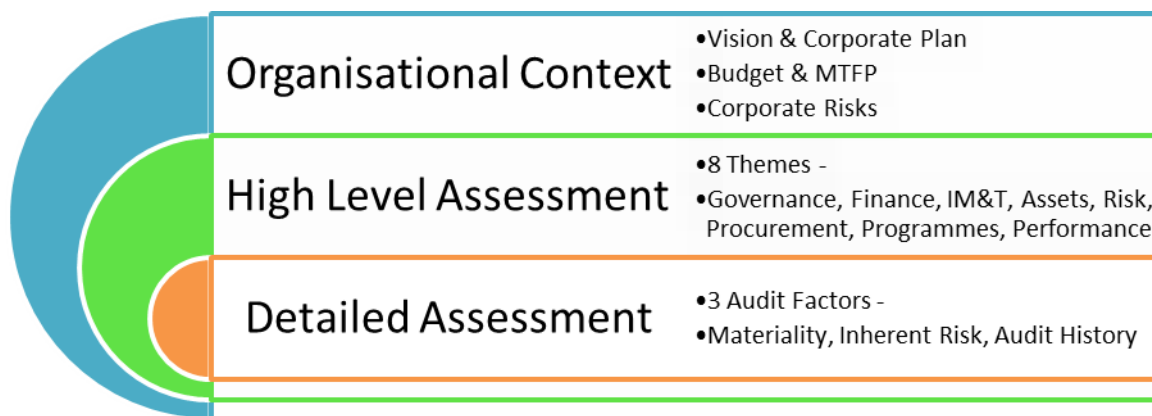
3.1 There are no direct financial implications relevant to this report.

4 THE REPORT

4.1 Internal Audit Annual Plan 2016/17 (Appendix 1)

4.2 The Public Sector Internal Audit Standards require Internal Audit to prepare a risk-based plan and this is attached at Appendix 1. As detailed to the Committee at its December meeting a new risk assessment methodology is being used to compile the plan.

The essential elements of the Reasonable Assurance Model are as follows –



4.3 Notwithstanding the assessment, specific circumstances (such as a significant reputational issue or request of S151 or Corporate Management Team) may on occasion mean that a low scoring topic is nevertheless included in the Plan.

4.4 The Plan will remain fluid during the year to enable the service to respond to the council's changing risk environment and the Committee will receive an update on performance during the year.

4.5 In addition to completing the Internal Audit Reviews, Audit West will -

- Provide support to the corporate governance framework within the Council including completing the Annual Governance review work required to publish the Council's Annual Governance Statement;
- Complete 'Follow-up' reviews to verify the implementation of Internal Audit Review recommendations.
- Provide support to the Council's risk management framework including maintaining the Corporate Risk Register;
- Carry out the Co-ordination and Investigation roles to complete the work required through the 'National Fraud Initiative';
- Provide advice on systems of internal control including Council policies and procedures. This is particularly important when systems and processes are being developed or changed;
- Provide support to Services on carrying out investigations in relation to financial irregularities. This may require staff to take on the Investigating Officer role in compliance with the Council's disciplinary procedures;
- Provide a service to verify the accuracy of specific grant claims and when required provide assurance to the Council's Chief Executive or other officers who are required to 'sign-off' Claim Certificates.

4.6 The Plan has gone through a wide series of consultation including with Statutory Officers, Strategic and Divisional Directors.

5 RISK MANAGEMENT

5.1 The preparation of the audit plan is carried out following a risk assessment using a number of factors. Commentary and opinion in relation to past performance has used the outcome of audit and other inspection work to inform the risk assessment and there is nothing significant to report.

6 EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out in relation to this report. There are no significant issues to report.

7 CONSULTATION

7.1 The report was distributed to the S151 Officer for consultation.

Contact person	Jeff Wring (01225 477323) Andy Cox (01225 477316)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

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Audit Plan 2016/17

Delivering Independent Assurance to Local Government



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2. Scope and Scale of the Council.....	Page 4
3. Key Priorities & Key Risks.....	Page 5
4. Reasonable Assurance Model.....	Page 6
5. Our Methodology, Approach & Standards.....	Page 8
6. Our Plan.....	Page 16

1. Our Strategy

Introduction

Bath & North East Somerset Council strives to deliver excellent services to local people and make our area internationally renowned as a beautifully inventive and entrepreneurial 21st century place with a strong social purpose and a spirit of wellbeing. The Council has recognised through its Corporate Plan the importance of excellence in resource management and sound governance as fundamental to achieving its priorities. This will require significant transformation to be a modern, innovative and accessible organisation.

The Audit & Assurance function fully recognizes its need to be flexible and agile in the face of the significant changes affecting the whole of the public sector and meet the needs of its stakeholders. Independent assurance which is strong but supportive can provide a helpful and positive role not just to services but to elected Members and the Community at large by demonstrating that the Council is operating effectively and protecting its assets and resources for the benefit of all its stakeholders.

In seeking innovation and effectiveness, Bath & North East Somerset Council has partnered with North Somerset Council to provide a more resilient and better skilled audit and assurance function. This new service – Audit West – is now a fully integrated function able to serve not just its core partners but also provide a wider range of assurance based services to other clients such as Academies and the wider public sector.

This is not without challenges as resources have reduced significantly and this therefore necessitates a different approach to the way we work, approach and view risk and how we deliver i

independent assurance. This new strategy is an example of this new approach as we have now replaced our traditional and often outdated methodologies with new risk based approaches to our planning and review of Council Services.

Our strategy to deliver this is based on the following key priorities –

- Providing Reasonable Assurance

- Providing Value for Money

- Maximising Technology

- Investment in Skills

- Commercial Growth

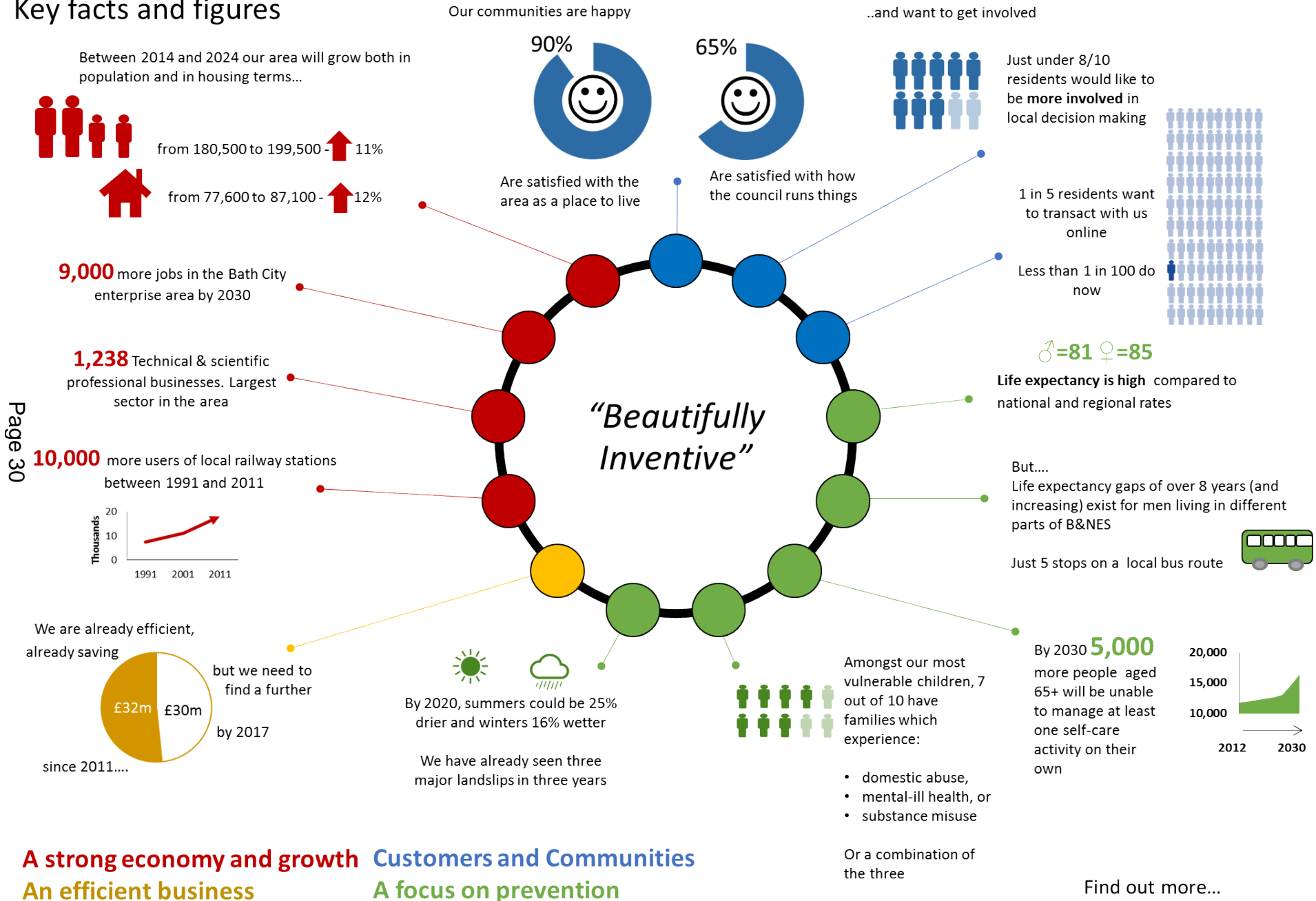
We will continue to work with all our stakeholders - especially the Audit Committee, Statutory Officers and Senior Management – to improve the service we offer but also to provide an independent voice in supporting service change and transformation

The remainder of this document outlines our approach and also the indicative areas for our audit and assurance plan for 2016/17.



Life in Bath and North East Somerset

Key facts and figures



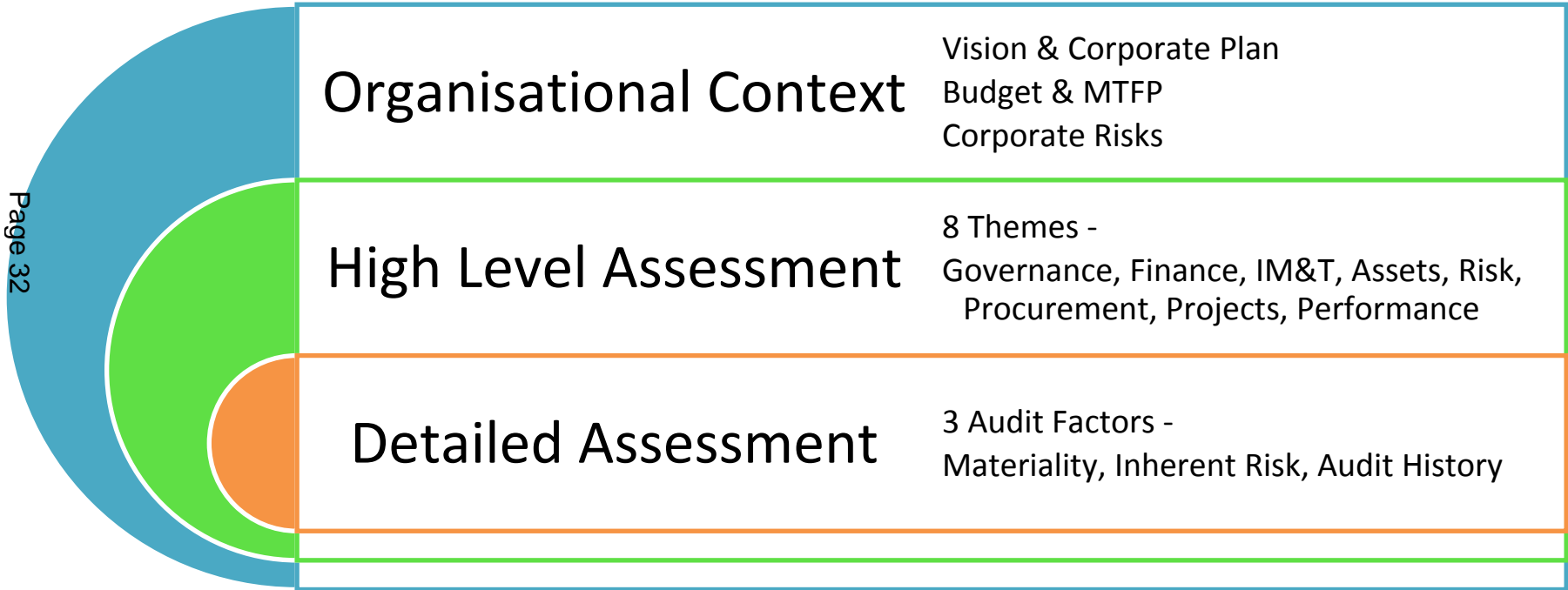
3. Key Priorities for Bath & North East Somerset

Corporate Strategy priorities	'Putting Residents First' manifesto commitments
A strong economy and growth	<p>Improve transport</p> <p>New homes and jobs</p> <p>Cleaner, greener and healthier communities</p>
A focus on prevention	<p>Invest in our young people</p> <p>Greater choice and independence for older people</p> <p>Cleaner, greener and healthier communities</p>
A new relationship with customers and communities	Cleaner, greener and healthier communities
An efficient business	Tackling wasteful spending

4. Reasonable Assurance Model – Producing the Audit Plan

The model is based on the fundamental requirement that the audit plan proposed will deliver sufficient work to enable the Head of Audit to independently assess the internal control framework and give a reasonable assurance opinion at the end of each year.

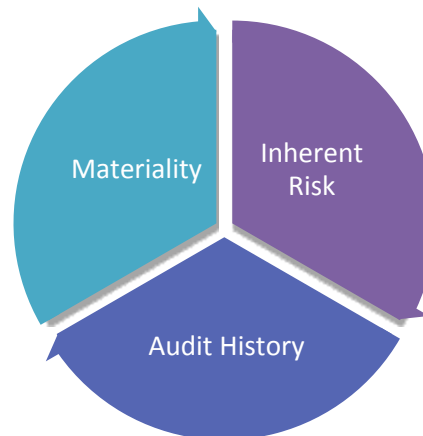
This involves considering current context of the Council, what a ‘healthy organisation’ requires to operate effectively and then assessing independently against this in a staged process as follows –



HIGH LEVEL ASSESSMENT AREAS – REASONABLE ASSURANCE



DETAILED ASSESSMENT FACTORS – AUDIT PLAN LISTING



5. Methodology, Approach & Standards

Introduction:

Internal Audit is an assurance function that provides an independent and objective opinion to the Council on its control environment. Scope of Internal Audit activity is not limited to the Council's financial systems and records, but extends to all functions of the Council.

Internal Audit is required to compile each year a Plan of its intended activity for approval by the Council's Audit Committee.

Internal Audit is required to be compliant with the Public Sector Internal Audit Standards and designs its methodologies to ensure it meets these standards and considers all available best practice.

Independence:

A critical element of the performance of Internal Audit is independence from the activities audited. This enables the function to form impartial and effective judgment for the opinions and recommendations made.

To help ensure independence, Internal Audit is part of a partnership arrangement with North Somerset Council and so is not fettered by any management reporting line restrictions. It also has unrestricted access to Senior Management & Members, particularly, the Leader of the Council, Chair of the Audit Committee, the Chief Executive, Strategic Directors, the Council's s151 Officer and the Council's Monitoring Officer. Additionally, the Head of Audit West (responsible for the partnership arrangements) reports in his own name and acts as Chief Internal Auditor for each Council.

Internal Audit forms part of the core governance structure of the organisation and its input is required as part of the Council's Annual Governance review which results in the publication of the Council's Annual Governance Statement.

Relationship with the Council's External Auditor:

As part of their audit of the Council's financial statements, the Council's external auditor has a dedicated plan from which they carry out specific reviews of the Council's activities. To facilitate this work they have issued a plan for the audit of the 2015/16 accounts.

The External Auditors carry out their own risk assessment methodology to assist in agreeing their workplan.

The working relationship between Internal Audit and the External Auditors carrying out their respective functions is important and must take account of their differing roles. The External Auditor has a statutory responsibility to express an opinion on the Council's financial statements, whilst the Internal Audit function is responsible for assessing the adequacy and effectiveness of the internal controls and advising Management accordingly.

The External Auditors whilst not formally required to seek reliance on the work of Internal Audit take into account the outcomes of all audit activity and consider their approach and plans to maximise their effectiveness and there is regular contact between the two parties.

Performance Management

The function recognises the importance of regular and effective performance management to ensure an effective service is being operated. A quarterly dashboard is produced and reported to each key stakeholders, including the Audit Committee.

Performance Indicators and Measures are set in the following areas –

Completion of the Plan
Audit Recommendations Implemented
Assurance Levels Provided
Productivity
Customer Satisfaction
Numbers of Investigations
Unplanned Work

Page 6

Preparation of the Annual Plan: Reasonable Assurance Model

Internal Audit has adopted a risk based approach in determining its Annual Plan using the reasonable assurance model.

Stage 1 - Assess levels of Assurance & Risk over 8 key themes

- Corporate Governance
- Financial Management
- Performance Management
- Risk Management
- Asset Management
- Procurement (& Commissioning)
- Programme & Project Management
- Information Management & Technology

Stage 2 – Risk Assessment using 3 key factors

- Materiality
- Inherent Risk
- Audit History

Stage 3 – Consult & Approve the Plan

- Senior Management
- Audit Committee

Unplanned Work

The plan also allows for a contingency for any unplanned work. Unplanned work consists of the investigation of irregularities and prioritised 'consultancy' work. If this contingency number of days is fully utilised and further unplanned work is required it is the intention that planned audit reviews, with the lowest risk rating, will be replaced by the unplanned work activity.

In view of the ever changing environment in which Local Government exists the Plan will be reconsidered at regular intervals to confirm that the remaining work planned is still appropriate. This process will be carried out in consultation with Senior Management and in particular the S151 Officer who acts as the principal client for the function.

Methodology:

Individual Audit Reviews:

At the commencement of each Audit Review, an Audit Brief (**Annex A**) will be prepared and issued to the relevant Head of Service/Director and responsible Manager. This Brief will identify the objectives of the review and areas to be covered. This Brief will be subject to agreement between the client (Council Service) and the auditor.

At the conclusion of each review, an end of review meeting will be held with the client (usually Service Manager) to discuss the matters arising. The Head of Service/Director may be involved at this stage. Wherever possible this meeting will occur before a 'draft' audit report is produced.

Following the conclusion of the audit review work a 'draft' audit report will be issued to Management. The report will provide a graded 'Assurance Level' (see ANNEX B); a summary of identified strengths & weaknesses; and a detailed action plan recording weaknesses and recommendations.

The nominated responsible Manager is required to respond to the audit findings and recommendations and prepare an action implementation plan recording responsible officers and timescale for implementation.

The management comments and implementation plan are compiled into a 'final' version of the report. This is issued to the recipients of the 'draft' version and the Head of Service/Director. It should be noted that the relevant Strategic Director and Audit Committee will be informed of the outcome of any work which falls into a level 1 rating.

Audit Review 'Follow-Ups':

Internal Audit reports / recommendations are subject to "follow-up". The objective of this process is to ensure actions are implemented within the agreed timescales.

All recommendations are subject to 'follow-up'. The process is dependent on the risk classification of the weaknesses / recommendations. For all 'Low' and 'Medium' risk recommendations, management are required to confirm implementation of actions. For all 'Critical' and 'High' risk recommendations Internal Audit will carry out testing to confirm implementation.

The findings of Audit Review 'Follow-Up' will be reported to the relevant manager(s) and Head of Service/Director. As stated above the relevant Strategic Director will be informed of the outcome of this work where there is a level 1 rating.

Investigation of Fraud & Corruption:

Senior Management have the primary responsibility for the prevention and detection of fraud and other financial irregularities. Internal Audit will however ensure it provides a lead in supporting management in this area, including design of appropriate strategies, policies and levels of control and will be alert in all their work to the possibility of theft, fraud, corruption and bribery.

Members of staff working within the Council are required to report any possible wrongdoing. Internal Audit will provide a professional response to any such reports received. In this respect, attention is drawn to the Council's own Anti-fraud & Corruption and Whistle blowing policies.

Internal Audit will conduct all investigations relating to fraud and corruption and do so according to professional standards, all applicable legislation and internal policies and procedures relating to staff conduct and the disciplinary process.

ANNEX A - AUDIT BRIEF

• Title	{Title}	
• Purpose of Review	To review the risks and internal controls related to the scope of the audit (detailed below) and provide management with an opinion on the adequacy of the framework of internal control.	
• Scope of Review	The audit will review the following key risks/control objectives: <ul style="list-style-type: none"> • Ensure..... • Ensure..... • Ensure..... 	
• Key Stages of Review Process Page 38	<pre> graph TD A((Agree Brief with Client)) --> B((Testing & Field Work)) B --> C((Compile & Issue Draft Report)) C --> D((Discuss Summary Findings with Client)) D --> E((Agree Opinion & Final Report with Client)) E --> F((Implement & Follow-up)) F --> A </pre>	
• Timeframe	Fieldwork Starts: {Date}	Draft Report: {Date}
• Key Contacts	Lead Auditor: {Name}	Lead Client: {Name}
• Service Charter & Professional Standards	Our customer service charter outlines what you can expect from us and what in turn we need from you to complete this audit. All audit work is reported to and monitored by the Audit Committee. All audit work complies with Public Sector Internal Audit Standards.	

Audit Opinions

Assurance Level 5 (Excellent)

The systems of internal control are excellent with a number of strengths and reasonable assurance can be provided over all the areas detailed in the Assurance Summary.

• ***Assurance Level 4 (Good)***

The systems of internal control are good and reasonable assurance can be provided. Only minor weaknesses have been identified over the areas detailed in the Assurance Summary.

• ***Assurance Level 3 – (Satisfactory)***

The systems of internal control are satisfactory and reasonable assurance can be provided. However, there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan.

• ***Assurance Level 2 – (Weak)***

The systems of internal control are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce risk exposure.

• ***Assurance Level 1 – (Poor)***

The systems of internal control are poor and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure and the issues will be escalated to your Director and the Audit Committee.

Contact Details

Head of Audit West –	Jeff Wring 01225 477323 jeff_wring@bathnes.gov.uk 01275 884459 jeff.wring@n-somerset.gov.uk
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Audit Manager (North Somerset)	Peter Cann 01275 884750 Peter.cann@n-somerset.gov.uk
Address	Audit West Resources The Guildhall High Street BATH, BA1 5AW

6. Audit Plan – 2016/17

Reasonable Assurance Model Assessment –



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HIGH LEVEL OF RISK LOW	ASSET MANAGEMENT	PROGRAMME & PROJECT MANAGEMENT			
	FINANCIAL MANAGEMENT	INFORMATION MANAGEMENT & TECHNOLOGY	PROCUREMENT		
	CORPORATE GOVERNANCE	PERFORMANCE MANAGEMENT	RISK MANAGEMENT		
	LEVEL OF ASSURANCE				
	HIGH				LOW

AUDIT PLAN AREAS –

Audit Area	Reasonable Assurance Theme	Directorate	Joint Work with NSC
Highways Capital Schemes	Programme & Project Management	Place	
Economic Regeneration	Programme & Project Management	Place	X
City Deal	Programme & Project Management	Resources	X
Itrent	Programme & Project Management	Resources	
Liquid Logic – Post Implementation	Programme & Project Management	People & Communities	
Growth Fund – WOE LEP	Financial Management	Resources	
Pensions Governance – COP 14	Financial Management	Resources	
Pensions Benefits Administration	Financial Management	Resources	
Late Payments & Use of Purchase Orders	Financial Management	Resources	X
Core Financial Systems	Financial Management	Resources	X
Debt Management	Financial Management	Resources	X
Home to School Transport	Financial Management	Place	
Passenger Transport	Financial Management	Place	
Better Care Fund	Financial Management	People & Communities	X
Personalised Budgets - Direct Payments	Financial Management	People & Communities	X
IT Network Management	IM&T	Resources	
IT – Data Back Up	IM&T	Resources	
IT – Change Management	IM&T	Resources	
IT – Third Party Access	IM&T	Resources	
Commercial Estate – Void Properties	Asset Management	Resources	
Commercial Estate – Valuations & Rent Reviews	Asset Management	Resources	
Commercial Estate – Income & Debt Management	Asset Management	Resources	
Strategic Overview – Procurement	Procurement	Resources	X
Procurement IT Systems	Procurement	Resources	
Heritage Contract Management	Procurement	Place	
Cash Collection	Procurement	Place	
Annual Governance Review	Corporate Governance	All	
Employment Procedures	Corporate Governance	All	X
School Theme Review – Payments	Corporate Governance	People & Communities	
School Theme Review – Payroll	Corporate Governance	People & Communities	

Audit Area	Service or Reasonable Assurance Theme		Joint Work with NSC
Street Works	Risk & Performance Management	Place	X
Traffic Regulation Orders	Risk & Performance Management	Place	X
Regulatory Services – Public Protection	Risk & Performance Management	Place	X
Catering	Risk & Performance Management	Resources	
Adult Social Care – Contract Re-Provision (Your Care Your Way)	Risk Management	People & Communities	
Adult Social Care – Contract Management	Risk Management	People & Communities	
Fleet Management – Driver Assessment	Risk Management	Place	
Digital B&NES	Risk Management	Place	
Insurance	Risk Management	Resources	X
Corporate Risk Register	Risk Management	All	
Safeguarding	Risk Management	People & Communities	X
Destination Management	Risk Management	Place	
Business Continuity Support	Risk Management	All	
Counter Fraud Plan	Risk Management	All	X

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	24th March 2016	AGENDA ITEM NUMBER
TITLE:	External Audit Update	EXECUTIVE FORWARD PLAN REFERENCE: E
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – External Audit Update Report		

1 THE ISSUE

- 1.1 The External Auditor will provide a general update to the Committee on their work against their plan along with various updates on national issues and best practice.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee is asked to note the report.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications as a result of this report.

4 THE REPORT

- 4.1 Appendix 1 details External Audit's progress against their planned work along with a series of updates on national issues which are of potential interest to the Audit Committee.
- 4.2 The External Auditor will provide a fuller verbal briefing on all these areas at the meeting.

5 RISK MANAGEMENT

- 5.1 A proportionate risk assessment has been carried out in relation to the Councils risk management guidance. There are no new significant risks or issues to report to the Committee as a result of this report.

6. EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines, no significant issues to report.

7 CONSULTATION

7.1 Consultation has been carried out with the Section 151 Finance Officer.

Contact person	Jeff Wring (01225 47323)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Corporate Audit Committee Bath and North East Somerset Council Progress Report and Update Year ended 31 March 2016

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March 2016

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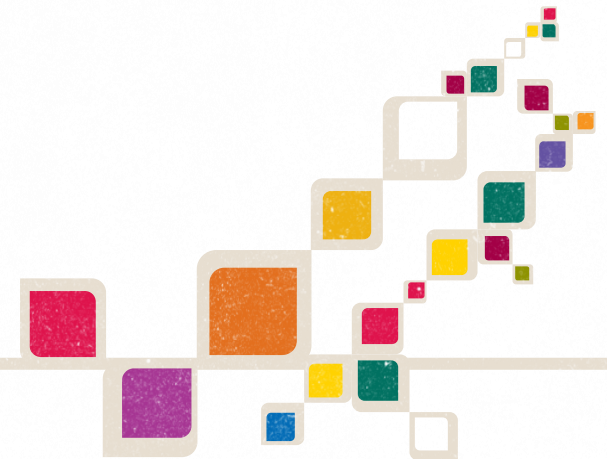
Executive

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



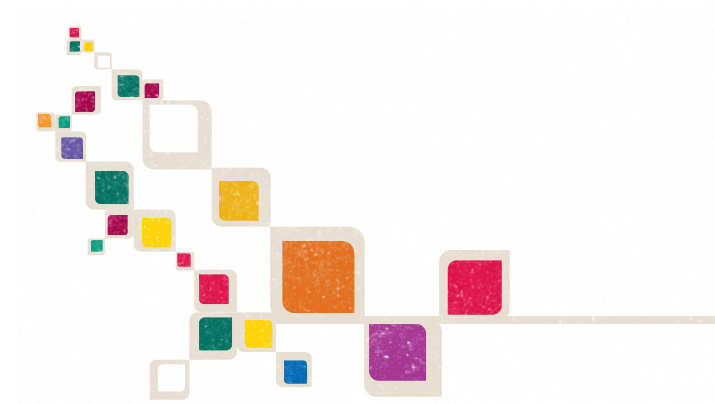
Introduction

This paper provides the Corporate Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

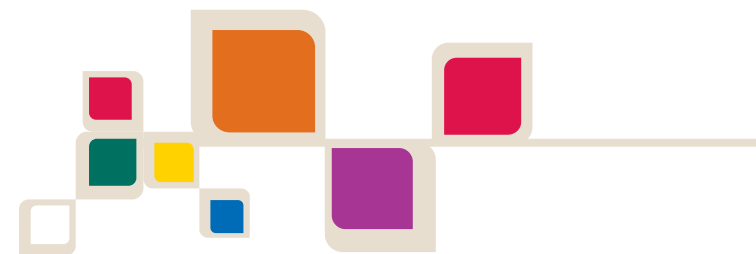
Members of the Corporate Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- Innovation in public financial management (December 2015); www.grantthornton.global/en/insights/articles/innovation-in-public-financial-management/
- Knowing the Ropes – Audit Committee; Effectiveness Review (October 2015); www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015) www.grantthornton.co.uk/en/insights/making-devolution-work/

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

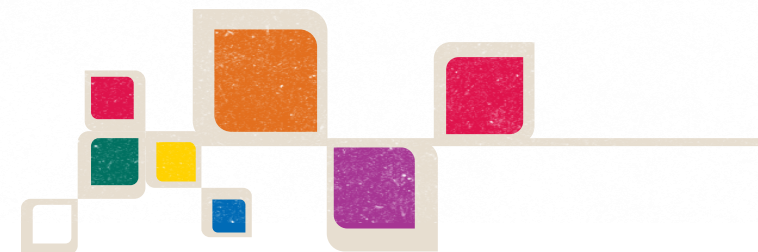


Progress at 9th March 2016



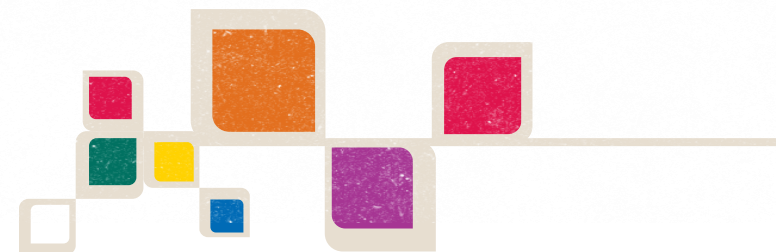
2015/16 work	Planned Date	Complete?	Comments
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.	March	Yes	Our audit plan is included as a separate agenda item for the Corporate Audit Committee to consider.
Interim accounts audit Our interim fieldwork visit plan included: <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	March	In progress	We will provide an updated audit plan summarising any issues we identify during the interim audit. We will consider the key audit risks and the implication for our audit strategy. The updated plan will be presented to the Committee at its meeting on 10 May 2016.
Final accounts audit Including: <ul style="list-style-type: none"> • audit of the 2015-16 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 	July - August	Not started	We are planning to complete our audit by 31 August. as part of the transition to the earlier closedown and audit cycle from 2018. We held a meeting with the finance team on 17 February 2016 to discuss the key issues that are likely to impact on this year's accounts.

Progress at 9th March 2016



2015/16 work	Planned Date	Complete?	Comments
Value for Money (VfM) conclusion <p>The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	March - July	In progress	<p>We will carry out an initial risk assessment to determine our approach and report this in our updated Audit Plan in May 2016.</p> <p>Our work will be reported in the Audit Findings Report presented to the September meeting of the Corporate Audit Committee.</p>
Other areas of work <p>Regional Growth Fund</p>	February – April 2016	In progress	<p>This work falls outside of the public sector audit regime and is therefore a separate engagement.</p> <p>As in previous years we will undertake the work specified by the Department for Business, Innovation and Skills and provide a report to the Council.</p> <p>The work required in relation to Regional Growth Fund 2 will be undertaken in February/March, whilst the work on Regional Growth Fund 3 will be undertaken in April.</p> <p>We will provide a verbal update on our work on Regional Growth Fund 2 at the meeting on 22 March 2016.</p>

Progress at 9th March 2016



2015/16 work	Planned Date	Complete?	Comments
Other areas of work			
Housing benefit certification	September – November 2016	Not yet due	The deadline for certification of the housing benefit return is 30 November 2016. The majority of our work will be undertaken from September onwards, but some early testing may be undertaken in April.
Meetings with Members, Officers and others	Ongoing		We recently met with the Chief Executive and the Resources Strategic Director to discuss the latest financial position and other issues affecting the Council. We are due to meet with the and the Divisional Director: Business Support on 30 March.

Grant Thornton Publications

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2016 Transparency Report

Grant Thornton's commitment to quality underpins all that we do and this is reflected in our 2016 Transparency Report.

We have more than 42,000 people in over 130 countries and this report is a public statement of our commitment to provide high-quality services to businesses and organisations operating throughout the world.

It is designed to help clients, audit committees, regulators and the public, who make up our many stakeholders, understand us better.

The report covers the three key aspects of our business, namely:

- Audit and assurance;
- Taxation; and
- Advisory services.

The report provides information on our audit methodology and sets out how we monitor the quality of our work and engage with external regulators.

It also covers our arrangements for governance and management and sets out our most recent financial information.

The report can be downloaded from our website:

www.grantthornton.global/globalassets/1.-member-firms/global/grant-thornton-global-transparency-report-2016.pdf

Alternatively, hard copies can be provided by your Engagement Lead or Audit Manager.

Grant Thornton reports



Transparency report 2016

Our commitment to brighter futures



Local Authority Trading Companies

On 11th February Grant Thornton hosted a free client seminar, in Taunton, looking at Local Authority Trading Companies (LATC). It was attended by 29 officers from councils in the South West. Although nobody from Bath and North East Somerset Council could attend we would be happy to share our slides from the day with the Council).

As councils look for different ways to reduce costs, improve efficiency and generate income some are setting up local authority trading companies. We predict that the number of these companies will continue to grow over the next five years.

The seminar considered the themes set out in our recent report, 'Spreading their Wings', focusing on how to set up and build successful local authority trading companies.

Attendees heard from Grant Thornton Local Government Advisory and Tax colleagues, with a focus on the complexities of corporation tax, stamp duty land tax, VAT and employment taxes when entering into such arrangements.

Martin Farrow from Buckinghamshire Care Limited shared his experiences from the Buckinghamshire Care journey "A merger between sustainability and purpose". He set the scene – underfunded social care, government savings, rising demand, and ageing population, service cutbacks mean a lot fewer people receiving services. The solution? A seismic shift in commissioning.

Hugh Lambourne from Bournemouth Borough Council explained his Council's approach to developing its commercial services "Building a successful LATC & Commercial Council". Offering an insight into why you might create an LATC or alternatively why you might choose not to trade through an LATC!

The day ended with a panel session with Martin and Frank being joined by Sarah Longthorpe - Bournemouth Borough Council, Giles Letherton – Delt Shared Services Limited and Frank Wilson – Ubico Limited. A lively set of questions were posed by delegates.

You can download a copy of the Grant Thornton report – Spreading their wings from the website at <http://www.grant-thornton.co.uk/en/Sectors/Government--Public-Sector/> Hard copies are also available from your Engagement Lead and Audit Manager.

Grant Thornton's next report on Joint Ventures will be available at the end of March

Grant Thornton reports





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GRT102468

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	24th March 2016	AGENDA ITEM NUMBER
TITLE:	External Audit Plan 2015/16	EXECUTIVE FORWARD PLAN REFERENCE: E
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – External Audit Plan		

1 THE ISSUE

1.1 The External Auditor will present their audit plan for 2015/16 for approval.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to recommend the plan for approval by the S151 Officer..

3 FINANCIAL IMPLICATIONS

3.1 The cost of external audit is contained within existing resources and the committee will have been aware of significant reductions in audit fees over recent years following the abolition of the Audit Commission.

4 THE REPORT

- 4.1 Appendix 1 details External Audit's plan for the review of the 2015/16 accounts.
- 4.2 The plan is an important document for the Audit Committee as it sets out the basis of their work, their own risk assessment, areas of focus, timeframes and audit fees.
- 4.3 The External Auditor will provide a fuller verbal briefing on all these areas at the meeting.

5 RISK MANAGEMENT

- 5.1 A proportionate risk assessment has been carried out in relation to the Councils risk management guidance. There are no new significant risks or issues to report to the Committee as a result of this report.

6. EQUALITIES

- 6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines, no significant issues to report.

7 CONSULTATION

- 7.1 Consultation has been carried out with the Section 151 Finance Officer.

Contact person	Jeff Wring (01225 47323)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

The Audit Plan for Bath and North East Somerset Council

Year ended 31 March 2016

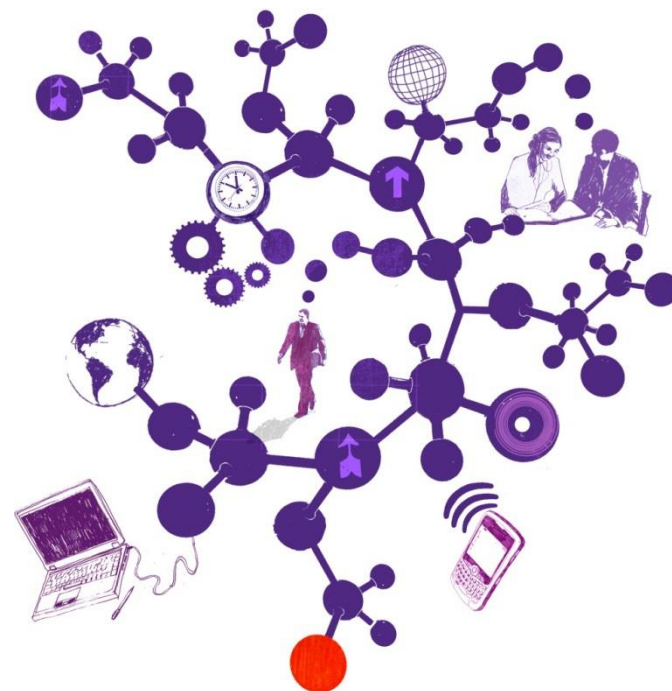
9 March 2016

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Bath and North East Somerset Council
Guildhall
High Street
Bath
BA1 5AW

9 March 2016

Dear Members of the Corporate Audit Committee

Grant Thornton UK LLP
Hartwell House
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Bristol
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Audit Plan for Bath and North East Somerset Council for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance, in the case of Bath and North East Somerset Council, the Corporate Audit Committee, an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

Barrie Morris
Engagement Lead

Chartered Accountants

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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.
- Despite this increased local control, the financial health of the sector is likely to become increasingly challenging.

2. Devolution

- The Autumn Statement 2015 also included proposals to devolve further powers to localities.
- The Council submitted a devolution bid in September 2015 in conjunction with Bristol City, North Somerset and South Gloucestershire Councils.

3. Establishment of a local property and development company

- The Council has established a property and development company with the aim of developing properties for rental. This will assist the Council in delivering its financial plan.

4. Integration with health sector

- Developments such as the increased scope of the Better Care Fund and transfer of responsibility for public health to local government are intended to increase integration between health and social care.
- Locally, the Council and CCG have been working on the Your Care, Your Way project, which is looking at ways to improve the delivery of integrated community health and care services.

5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.

Our response

- We will consider the Council's plans for addressing its financial position as part of our work to reach our VFM conclusion.

- We will consider your plans for local devolution as part of our work in reaching our VFM conclusion.
- We are able to provide support and challenge to your plans based on our knowledge of devolution elsewhere in the country.

- We will consider how the establishment of the property and development company is impacting on the delivery of the Council's financial plan.

- We will consider how the Council has reflected changes to its responsibilities in relation to public health and how it is working with partners, including the Your Care, Your Way project, as part of our work in reaching our VFM conclusion.
- We will review the Council's treatment of entries relating to the Better Care Fund and other pooled budget arrangements in its financial statements.

- We will work with you to identify areas of your accounts production where you can learn from good practice in other authorities.
- We aim to complete all substantive work in our audit of your financial statements by 31 August 2016 as a 'dry run'.

Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset.
- Investment property assets are required to be carried at fair value as in previous years.
- There are a number of additional disclosure requirements of IFRS 13.



2. Corporate governance

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.
- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.



3. Highways Network Asset

- Although you are not required to include the Highways Network Asset until 2016/17, this will be a significant change to your financial statements and you will need to carry out valuation work this year.



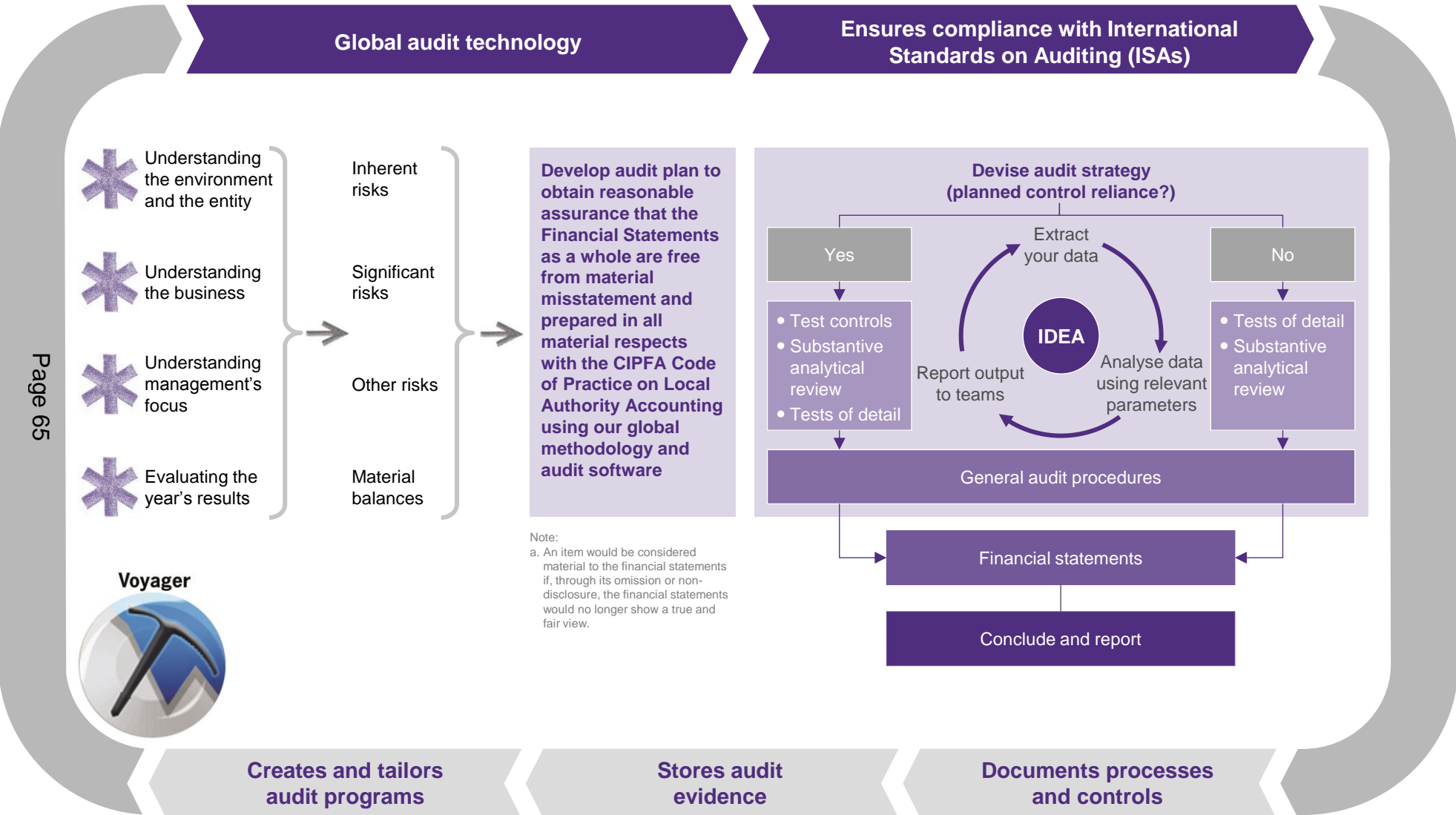
Our response

- We will keep the Council informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops.
- We will discuss this with you at an early stage, including reviewing the basis of valuation of your surplus assets and investment property assets to ensure they are valued on the correct basis.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

- We will review your Narrative Statement to ensure it reflects the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement.
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Council and the requirements of CIPFA guidance.

- We will discuss your plans for valuation of this asset at an early stage to gain an understanding of your approach and suggest areas for improvement.

Our audit approach



Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £8.093 million (being 2% of gross revenue expenditure). This is based on our previous experience of auditing the Financial Statements and the Council together with our assessment of the current accounting issues and developments that impact the Council's accounts. We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £404,000.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where separate materiality levels are appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5,000 (or change in banding)
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1,000
Pooled budgets	We will use the materiality figure applied to the CCG's accounts as it is lower than the Council's materiality figure.	£3,270,000

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Bath and North East Somerset Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited• the culture and ethical frameworks of local authorities, including Bath and North East Somerset Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	<p>Work planned:</p> <ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management• Testing of journal entries• Review of unusual significant transactions

Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Valuation of property, plant and equipment Page 68	The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Valuation of surplus assets and investment property	<p>The CIPFA Code of Practice has implemented IFRS 13 for the 2015/16 financial statements. The Council is required to include surplus assets within property, plant and equipment in its financial statements at fair value, as defined by IFRS 13. The basis on which fair value is defined for investment property is also different to that used in previous years.</p> <p>This represents a significant change in the basis for estimation of these balances in the financial statements.</p> <p>There are also extensive disclosure requirements under IFRS 13 which the Council needs to comply with.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register • Review of the disclosures made by the Council in its financial statements to ensure they are in accordance with the requirements of the CIPFA Code of Practice and IFRS 13.
Valuation of pension fund net liability	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures"(ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Operating expenses Page 70	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>Work planned at interim audit:</p> <ul style="list-style-type: none"> Document our understanding of processes and key controls over the transaction cycle Undertaken walkthrough of the key controls to assess whether those controls are designed effectively <p>Work planned at final audit:</p> <ul style="list-style-type: none"> Search for unrecorded liabilities Review goods received but not invoiced and test as appropriate Assess the Council's accruals methodology and the reliability of the estimate used
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>Work planned at interim audit:</p> <ul style="list-style-type: none"> Document our understanding of processes and key controls over the transaction cycle Undertaken walkthrough of the key controls to assess whether those controls are designed effectively Test a sample of payments back to prime records <p>Work planned at final audit:</p> <ul style="list-style-type: none"> Review reconciliation of payroll costs to the general ledger Undertake an analytical review of monthly payroll trend Complete testing of a sample of payments back to prime records.

Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures"(ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Welfare expenditure	Welfare benefit expenditure improperly computed	<p>Work planned at interim audit</p> <ul style="list-style-type: none">• Document our understanding of processes and key controls over the transaction cycle• Undertake walkthrough of the key controls to assess whether those controls are designed effectively <p>Work planned at final audit:</p> <ul style="list-style-type: none">• Reconciliation of the expenditure recorded in the accounts to the benefits system• Reconciliation of the expenditure recorded in the accounts to the housing benefit claim• Testing a sample of payments to individual claimants.

Page 71

Other risks identified (continued)

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will include:

Page 72

- Intangible assets
- Heritage assets
- Assets held for sale
- Investments (long term and short term)
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Provisions
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Schools balances and transactions
- Segmental reporting note
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Collection Fund and associated notes
- Funds held on trust note

Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

Value for Money

Background

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out below:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of good governance Understanding and using appropriate cost and performance information to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We shall carry out an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we will consider :

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies, including the Care Quality Commission and Ofsted.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

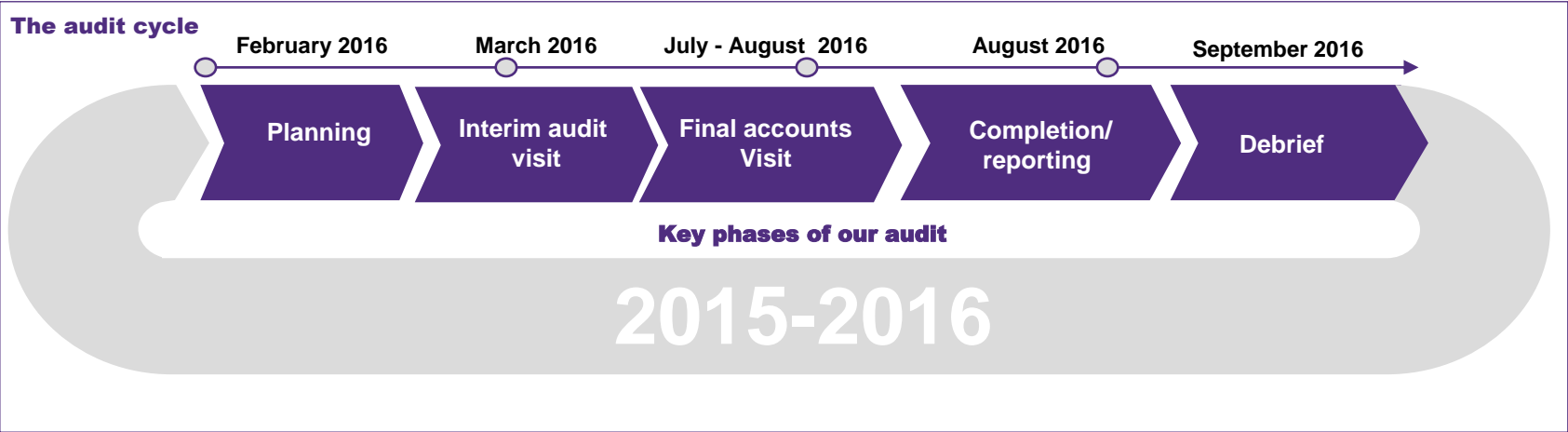
Following the completion of this risk assessment, we will issue a separate planning document setting out our planned work for 2015/16 to meet our duties in respect of the VfM conclusion. This will include any significant risks identified, along with details of the work we plan to carry out to address these risks.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.

Key dates



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Date	Activity
February 2016	Planning
March 2016	Presentation of Audit Plan to Corporate Audit Committee
March 2016	Interim site visit
May 2016	Presentation of updated audit plan to Corporate Audit Committee
July – August 2016	Year end fieldwork
August 2016	Audit findings clearance meeting with the Divisional Director: Business Support
September 2016	Report audit findings to Corporate Audit Committee
September 2016	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	123,832
Grant certification (indicative)	16,760
Total audit fees (excluding VAT)	140,592

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Council and its activities, have not changed significantly.
- The Council will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Service	Fees £
Audit related services:	
• Regional growth fund (reporting accountant's report)	10,000
• Teacher's pensions return (reporting accountant's report)	4,200
Non-audit services	
• Financial modelling for DevCo	42,000

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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