

RIBBLE VALLEY BOROUGH COUNCIL

please ask for: OLWEN HEAP
direct line: 01200 414408
e-mail: olwen.heap@ribblevalley.gov.uk
my ref: OH/CMS
your ref:
date: 15 November 2011

Council Offices
Church Walk
CLITHEROE
Lancashire BB7 2RA

Switchboard: 01200 425111
Fax: 01200 414488
DX: Clitheroe 15157
www.ribblevalley.gov.uk

Dear Councillor

The next meeting of the **ACCOUNTS AND AUDIT COMMITTEE** is at **6.30PM** on **WEDNESDAY, 30 NOVEMBER 2011** at the **TOWN HALL, CHURCH STREET, CLITHEROE.**

I do hope you can be there.

Yours sincerely

CHIEF EXECUTIVE

To: Committee members (copy for information to all other members of the Council)
Directors
Press
Parish Councils (copy for information)
Audit Manager, Audit Commission

AGENDA

Part I – items of business to be discussed in public

1. Apologies for absence.
- ✓ 2. Minutes of meeting held on 24 August 2011 – copy enclosed.
3. Declarations of Interest (if any).
4. Public Participation (if any).

FOR DECISION

5. References from Overview and Scrutiny (if any).
- ✓ 6. Annual Audit Letter 2010/11 – report of Director of Resources – copy enclosed.

FOR INFORMATION

- ✓ 7. Internal Audit Progress Report 2011/12 – report of Director of Resources – copy enclosed.
- ✓ 8. Update on Procurement of Audit Services – report of Director of Resources – copy enclosed.
- ✓ 9. Change of Appointed Auditors for 2011/12 – report of Director of Resources – copy enclosed.
- 10. Reports from Representatives on Outside Bodies (if any).

Part II - items of business **not** to be discussed in public

None.

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

DECISION

Agenda Item No 6

meeting date: 30 NOVEMBER 2011
title: ANNUAL AUDIT LETTER 2010/11
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

1.1 To consider the Audit Commission's Audit Letter for 2010/11

2 BACKGROUND

2.1 The Audit Commission, as the Council's external auditor, is required to review various aspects of the Council's activities in line with the requirements of the Audit Commission's Code of Practice.

2.2 At the meeting of this Committee on the 24 August 2011, the Audit Commission produced their Annual Governance Report. The report considered the auditor's finding in relation to the Council's Financial Statements and Value for Money conclusion for 2010/11 and the auditor issued an unqualified opinion.

3 ANNUAL AUDIT LETTER 2010/11

3.1 On completion of the annual audit, the Audit Commission publishes an Annual Audit Letter which summaries the outcome of their work and makes specific recommendations for the coming year.

3.2 The Annual Audit Letter for 2010/11 has now been received and is attached at Annex 1 of this report.

3.3 The 2010/11 Annual Audit Letter reports the Council's position in relation to the following areas

- The council's accounts; and
- Whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

3.4 As noted above, the auditor has issued an unqualified opinion on the Council's Statement of Accounts for 2010/11 and is satisfied that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

3.3 It is very pleasing to note the auditor's comments regarding our performance over the last financial year.

4 CONCLUSION

4.1 The Annual Audit Letter includes two recommendations with regard to the financial statements, and highlights the economic downturn and pressure on the public sector.

4.2 The Annual Audit Letter will be published on the Council's website. It is an important part of the Council's Corporate Governance arrangements.

5 RECOMMENDED THAT COMMITTEE

5.1 Note the key findings highlighted in the letter and accept the auditor's recommendations.

HEAD OF FINANCIAL SERVICES

AA24-11/LO/AC
22 November 2011

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 7

meeting date: 30 NOVEMBER 2011
 title: INTERNAL AUDIT PROGRESS REPORT 2011/12
 submitted by: DIRECTOR OF RESOURCES
 principal author: MICK AINSCOW

1 PURPOSE

1.1 To report to committee internal audit work progress to date for 2011/12.

1.2 Relevance to the Council's ambitions and priorities:

- The Council has a statutory duty to maintain an adequate and effective system of internal audit to ensure the continued efficient running of its services.

2 BACKGROUND

2.1 Internal audit ensure that good internal controls are inherent in all the Council's systems. All services are identified into auditable areas and then subjected to a risk assessment process looking at factors such as financial value, audit experience, fraud etc. A risk score is then calculated for each area.

2.2 An operational audit plan is then produced to prioritise resource allocation based on the risk score. All high risk areas are covered annually with medium or low risk areas covered at least once every two years.

2.3 The full internal audit plan for 2011/12 is attached as Annex 1, but in summary resources for the year have been allocated as follows:





| Audit Area | 2011/12 Planned Days |
|-----------------------------------------|-------------------------|
| Fundamental (Main) Systems | 200 |
| Non-Fundamental Systems | 105 |
| Probity and Regularity | 133 |
| Ongoing checks | 100 |
| Risk Management, Performance Indicators | 90 |
| | 628 |

3 2011/12 INTERNAL AUDIT YEAR

3.1 During the year we aim to review all of the Council's main fundamental systems. The majority of this work is undertaken during the last six months of the year in order that there are sufficient current year transactions to test to provide the assurance required.

3.2 In addition to our systems work we will continue to carry out a series of ongoing checks to prevent/detect fraud and corruption.

3.3 At present we use an assurance system for all audits carried out. Each completed audit report contains a conclusion which gives a level of assurance opinion as follows:

| | | | |
|---------|-------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 4 | Full |  | The Council can place full reliance on the levels of control in place |
| Level 3 | Substantial |  | The Council can place substantial reliance on the arrangements/controls in place. The audit identified the existence of minor control weaknesses in certain areas. |
| Level 2 | Limited |  | The Council can place only limited reliance on the arrangements/controls in place. Significant control issues need to be resolved. |
| Level 1 | Minimal |  | The Council cannot place sufficient reliance on the arrangements/ controls in place. Substantial control weaknesses exist. |

Progress to date on the 2011/12 plan is relatively good given that we were a member of staff down for the first 3 months of the year, and the audit of the visitor information centre has taken up far more staff time than envisaged. The planned work is approx 47% complete as at the end of October and I am hopeful of achieving at least 90% completion by the end of the financial year.

4 REPORTS CARRIED OUT AND ASSURANCE OPINIONS

4.1 This report covers audit work and reports issued since the last report to Committee on 24 August 2011. The table below sets out the assurance opinions issued from these audits:

| Date of Report | Assurance Opinion | Report Details |
|----------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| September 2011 | Substantial | Fees and Charges – ensuring that all charges for 2011/12 as approved by the relevant committee had been implemented. All prices/fees being charged across the authority were verified to those approved. |
| September 2011 | Substantial | Council Tax System – system controls were basically sound and the quality and effectiveness of work carried out within the section was of good standard. |
| October 2011 | Full | Rechargeable Works – examination of recharges for works carried out by the Council's mechanics and works admin sections to ensure that all labour, materials, etc had been recharged in full and the majority of accounts promptly paid. Normal recovery procedures were followed where accounts were not paid within 14 days. |
| November 2011 | Full | Car Insurances/Driving Licences – verifying that all staff using their own cars on official council business were appropriately insured i.e. for business use. Driving licences were also checked for all claimants and lease car holders. All staff were covered for business use and had valid full driving licences. |
| November 2011 | Full | Building Control – system found to be operating effectively. No weaknesses identified. |
| November 2011 | Full | Planning Income – verifying that fees are charged in accordance with approved rates, promptly received, planning system is updated correctly with all payments and that cash/cheques are securely held. No matters arising. |

- 4.2 Visitor Information Centre – members will recall that at the last meeting of this committee concerns were expressed following an audit carried out at the visitor centre and the significant control weaknesses in a number of areas. Various recommendations were agreed with the visitor information centre manager and the Head of Cultural and Leisure Services in order to bring about the necessary improvements.
- 4.3 A follow up audit has now been carried out and I am pleased to be able to report that significant progress has been made. Stock takes are being carried out monthly with any discrepancies being reported to the Head of Cultural and Leisure Services and being fully investigated. A sale has been on for some time in an effort to reduce the number of different lines of stock and the actual levels have been significantly reduced. The sale will continue in the hope of reducing levels still further and making the stock control process far more manageable for those involved. Progress still needs to be made in certain areas such as documentation of procedures and agreement of minimum profit margins but overall I am pleased with what has been achieved so far.

5 QUALITY MONITORING

- 5.1 Since the end of October 2009, we have been issuing customer feedback questionnaires following the majority of audit work carried out. These questionnaires ask for the auditees views on the work we have undertaken.
- 5.2 Summary results are shown at Annex 2 for the questionnaires returned since the last meeting of this Committee. The issues that were raised in the feedback form for Members' Allowances have been reviewed and will be addressed in future audits.

6 CONCLUSION

- 6.1 Good progress is being made towards completion of the 2011/12 audit plan. I am hopeful of completing all systems related work by the end of the financial year in order to be able to provide Members with the appropriate level of assurance. All audits carried out to date this year – with the exception of the visitor information centre – have resulted in an assurance opinion of substantial or full.

PRINCIPAL AUDITOR

AA23-11/MA/AC
22 November 2011

| Operational Audit Plan 2011/12 | | Days |
|------------------------------------|----|--------------|
| Number of days available | | 780 |
| Less: | | |
| Bank Hols/Statutory | 39 | |
| Annual Leave | 73 | |
| College/Other Training | 10 | |
| Non-Audit Duties (Insurance, etc.) | 30 | (152) |
| Actual auditing days available | | 628 |
| AREA OF ACTIVITY | | |
| General Ledger | 30 | |
| Creditors | 15 | |
| Debtors | 15 | |
| Payroll | 20 | |
| Council Tax | 45 | |
| Housing Benefits | 45 | |
| NNDR | 30 | 200 |
| Cash and Bank Reconciliation | 10 | |
| Stores | 5 | |
| Loans and Investments | 10 | 25 |
| Data Protection | 20 | |
| Freedom of Information | 20 | |
| Health and Safety | 20 | |
| Enterprise Risk Management | 20 | 80 |
| Flexitime System | 15 | |
| Car Allowances | 8 | |
| Land Charges | 10 | |
| HB Cheque Delivery | 12 | |
| HB Tenancy Verification | 20 | |
| Petty Cash | 5 | |
| CT/HB Checks/NFI Checks | 50 | |
| Staff Expenses | 10 | |
| Fees and Charges | 5 | |
| Printing and Stationery | 3 | |
| Rechargeable Works | 5 | |
| Tourism | 8 | |
| Car Parking | 3 | |
| Inventories | 5 | |

| AREA OF ACTIVITY | Days |
|----------------------------------|------------|
| Longridge Gym | 3 |
| Ribblesdale Pool | 5 |
| Platform Gallery | 5 |
| Private Drain Clearances | 5 |
| Clitheroe Market | 5 |
| Cemetery | 8 |
| Planning App./Building Reg. Fees | 8 |
| Contract Procedure Rules | 10 |
| | 208 |
| Contingencies | 25 |
| | 25 |
| Risk Management | 50 |
| Corporate Governance | 15 |
| Performance Indicators/SIC | 25 |
| | 90 |
| Total Planned Audit Work | 628 |

Annex 2

| Question | Housing Benefit | Members' Allowances | Car Leasing |
|--------------------------------------------------------------------------------------------------------------------------------------|------------------------|----------------------------|--------------------|
| Sufficient notice given to arrange the visit (not applicable for unannounced visits) | 5 | 4 | 4 |
| A briefing sheet was sent prior to commencement of the audit and any comments/requests made were taken into account during the audit | 5 | 4 | 5 |
| The Auditors understanding of your systems and any operational issues | 4 | 2 | 3 |
| The audit was carried out efficiently with minimum disruption | 5 | 2 | 4 |
| The level of consultation during the audit | 5 | 1 | 4 |
| The audit was carried out professionally and objectively | 5 | 2 | 4 |
| The draft report addressed the key issues and was soundly based | 4 | 3 | 4 |
| Your opportunity to comment on the findings | 5 | 2 | 4 |
| The final report in terms of its clarity and conciseness | 5 | 4 | 4 |
| The prompt issue of the final report | 5 | 4 | 5 |
| The recommendations in the final report will improve control and/or performance | N/A | 2 | 4 |
| The audit was constructive and added value overall | 5 | 2 | 4 |
| Average | 4.8 | 2.7 | 4.1 |

5 = Very Good 4 = Good 3 = Satisfactory 2 = Just Adequate 1 = Poor

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 8

meeting date: 30 NOVEMBER 2011
title: UPDATE ON PROCUREMENT OF AUDIT SERVICES
submitted by: DIRECTOR OF RESOURCES
principal author: JANE PEARSON

1 PURPOSE

- 1.1 To inform members of the latest position regarding procurement of external audit services.

2 BACKGROUND

- 2.1 On 28 July 2011, the Audit Commission announced that it had agreed to transfer the work of its in-house audit practice to the private sector, by outsourcing through a procurement exercise. This follows the Department for Communities and Local Government (DCLG) announcement in August 2010 of the intention to disband the Audit Commission.
- 2.2 The DCLG asked the Audit Commission to seek bids for the work currently undertaken by the in-house audit practice. The Audit Commission wrote to all audited bodies on 3 August 2011 setting out the implications for auditor appointments and the intention that auditor appointments for 2012/13 will start on 1 September 2012. The Audit Commission have stated they will consult on these appointments in due course. They will also consult on extending current auditor appointments to allow any audit issues arising between 1 April 2012 and 31 August 2012 to be dealt with. The costs of this 'interim' audit role will be met by the Commission.
- 2.3 The Commission envisage that most Audit Practice staff in each lot area will transfer to the successful bidders under the TUPE regulations on 31 October 2012. They have stated that where an appointed auditor is a District Auditor from the Commission's Audit Practice, they are committed to ensuring so far as possible a smooth transition to a new audit provider.
- 2.4 The procurement process started on 7 September 2011 with the publication of the contract notice in the Official Journal of the European Union. The key points of the procurement are that:
- ❖ the work is packaged into ten lots across four geographical regions. The lots range in size from £5 million to £12 million and cover the full range of local public bodies. Shortlisted firms may bid for all the lots, but will only be awarded one lot per region. This is to ensure that the Commission is able to continue to meet its statutory functions in relation to auditor appointments, including managing any independence issues that may arise and consulting meaningfully with audited bodies on proposed appointments; and
 - ❖ the Commission will decide, in consultation with DCLG, whether to award three or five year contracts, commencing from the audit of the 2012/13 accounts. Decisions about the length of the contracts will be taken before the contract award in February 2012 and will be linked to the government's timetable for the introduction of, and transition to, new local public audit arrangements, and for the disbandment of the Commission. DCLG has indicated it will wish to seek views from audited bodies on the potential value for money benefits of having five-year rather than three-year contracts, if having five-year contracts would delay the point at which local bodies could begin to appoint their own auditors.

3 TIMETABLE

| Key milestone | Date |
|-------------------------------------------------------------------------------|----------------------|
| Deadline for return of pre-qualification questionnaires from interested firms | 7 October |
| Issue invitations to tender to shortlisted firms | by 28 October |
| Deadline for submission of tenders | 16 December |
| Approval of contract awards by the Commission Board | w/c 20 February 2012 |
| Consultation with audited bodies on auditor' appointments for 2012/13 | 23 April - 13 July |
| Appointments for 2012/13 commence | 1 September |
| Audit Practice staff transfer to firms awarded contracts | 31 October |

4 LATEST POSITION

4.1 The Audit Commission have written to us on 14 November setting out the latest position with the procurement exercise. Please see attached at Annex 1

4.2 The Commission have now issued Invitations to Tender for the principal bodies' procurement to 13 potential providers. Potential suppliers have until 16 December 2011 to submit tenders.

4.3 The bidders invited to submit tenders are shown below:

- ❖ BDO LLP
- ❖ DA Partnership Ltd
- ❖ Deloitte LLP
- ❖ Ernst & Young LLP
- ❖ Grant Thornton (UK) LLP
- ❖ consortium led by Haines Watts
- ❖ KPMG LLP
- ❖ Menzies LLP
- ❖ consortium led by MHA Audit LLP
- ❖ consortium led by Moore Stephens LLP
- ❖ PKF (UK) LLP
- ❖ pwc LLP
- ❖ RSM Tenon Audit Ltd

4.4 The process has three key stages:

- ❖ making decisions about the award of contracts;
- ❖ determining the length of contracts; and

❖ appointing auditors to individual bodies

4.5 More information regarding each of these stages can be found in the attached copy letter.

5 CONCLUSION

5.1 The procurement process has reached a significant milestone, however we will not know who our new appointed auditor will be until at least April next year. The appointment will take effect from 1 September 2012.

DIRECTOR OF RESOURCES

AA22-11/JP/AC
15 NOVEMBER 2011



Local government

Health

Fraud

Audit regime

Audit Practice

Update on the procurement of audit services

Dear Ms Pearson

On 21 September, I wrote to update you on the progress of the current procurement exercise to outsource the work of the Commission's in-house audit practice and to provide further details of the timetable.

We have now reached another significant milestone in the process, having issued Invitations to Tender (ITT) for the principal bodies' procurement to 13 potential providers.

We have published [a copy of the ITT](#) on our website. The bidders invited to submit tenders are:

- BDO LLP
- DA Partnership Ltd
- Deloitte LLP
- Ernst & Young LLP
- Grant Thornton (UK) LLP
- consortium led by Haines Watts
- KPMG LLP
- Menzies LLP
- consortium led by MHA Audit LLP
- consortium led by Moore Stephens LLP
- PKF (UK) LLP
- pwc LLP
- RSM Tenon Audit Ltd.

In accordance with the published timetable, potential suppliers have until 16 December to submit tenders.

The process has three key stages:

- making decisions about the award of contracts;
- determining the length of contracts; and
- appointing auditors to individual bodies.

The arrangements for each stage are set out below.

Award of contracts

The Audit Commission is running the procurement process, and all key decisions relating to it are being taken by the Commission Board. The Board has appointed a Procurement Panel, a sub-committee of the Board, comprising Board members with a range of skills and experience of the different sectors, to oversee the procurement in more detail, and to make recommendations to the Board as to the award of contracts following the evaluation. This Procurement Panel includes an independent member, Mike More, the Chief Executive of Westminster City Council.

The outsourcing strategy is based on 10 contract lots covering local government, NHS, police and other local public bodies - over 650 in total - in different parts of the country. The bids for each lot will be assessed on the qualitative and financial criteria set out in the ITT. Those are the only factors that will determine a contract award.

As the Commission has determined that TUPE applies to the outsourcing process, the majority of the Commission's Audit Practice staff will transfer to the successful bidders in each area at the end of October 2012.

Contract length

The decision whether to award contracts for three or five years is about value for money, but is also linked to the government's timetable for the introduction of, and transition to, new local public audit arrangements, and for the disbandment of the Commission. The government has indicated that it wants to talk to the different sectors about the trade-off between the value for money of awarding three or five year contracts and the benefits of the proposed new public audit arrangements, once we have a better sense of the difference that the outcome of the procurement makes to audit fees from 2012/13.

Auditor appointment

The Commission has a statutory duty to consult local government audited bodies on the appointment of the auditor. We will also consult NHS bodies. Consultation with all audited bodies on appointments from 2012/13 onwards will take place after the contracts have been awarded. We have allocated sufficient time within the process to allow for meaningful consultation.

Where a body is currently audited by the Commission's Audit Practice, we will propose the winning firm in each contract area as the appointed auditor, unless there are good reasons that prevent this. Our contract strategy ensures the Commission will have the option of appointing a different firm to an audited body should this be necessary.

Where a body is currently audited by a firm, we do not expect to have to change the appointment from 2012/13. However, we must wait until the procurement is completed before we can confirm the national picture on auditor appointments.

We plan to set out early in the new year how we will go about the consultation process and specify the grounds on which we will consider representations from audited bodies about proposed auditor appointments.

The new auditor appointments for 2012/13 will take effect from 1 September 2012. We are putting in arrangements to ensure a smooth handover to the incoming auditor.

Next steps

We will keep you updated on the progress of the procurement and the associated developments. I will write to you again early in the new year, setting out the process we propose to follow in consulting on 2012/13 auditor appointments. If you wish to clarify any of the points in this letter or ask other questions about the content, please email: audit-appointments@audit-commission.gov.uk or contact Marcine Waterman or Andrew Davies on 0844 798 2447.

Yours sincerely

Eugene Sullivan
Chief Executive

Timetable

| Key milestone | Date |
|----------------------------------------------------------------------|-------------------------|
| Deadline for submission of tenders | 16 December 2011 |
| Approval of contract awards by the Commission Board | w/c 20 February 2012 |
| Consultation with audited bodies on auditor appointments for 2012/13 | 23 April - 13 July 2012 |
| Appointments for 2012/13 commence | 1 September 2012 |
| Audit Practice staff transfer to firms awarded contracts | 31 October 2012 |

Registered address:

Audit Commission, Millbank Tower, London, SW1P 4HQ

web: www.audit-commission.gov.uk
email: a-commission@audit-commission.gov.uk
tel: 020 7828 1212 fax: 020 7166 2945



21 October 2011

Mr Marshal Scott
Chief Executive
Ribble Valley Borough Council
Council Offices, Church Walk
Clitheroe
Lancashire
BB7 2RA

Direct line 0844 798 6663
Email d-morris@audit-
commission.gov.uk

Dear Mr Scott

Change to your Appointed Auditor for 2011/12

Further to your recent communication with your appointed auditor, Clive Portman, I am writing to you as Director of Audit (Resourcing) for the Audit Commission's Audit Practice to consult you on the appointment of Karen Murray as the appointed auditor to Ribble Valley Borough Council, with responsibility for the audit of your accounts for 2011/12. A summary of Karen's CV is attached, for your information.

I would welcome your comments on this proposal and in particular whether there are any specific reasons why, in your view, it would be inappropriate to appoint Karen as the Council's external auditor. Please let me have your comments by 18 November 2011.

Subject to your comments, the appointment will need to be approved formally by the Commission. The Director of Audit Policy and Regulation will then write to confirm the appointment.

If you have any queries about this letter, please do not hesitate to contact me.

Yours sincerely

Delyth Morris
Director of Audit (Resourcing)

cc Jane Pearson, Director of Resources
Karen Murray, District Auditor
Clive Portman, District Auditor

24 OCT 2011



Summary CV: Karen Murray

Karen is a District Auditor based in Bolton. Most recently, she has been the Audit Commission's appointed auditor for many of the local authorities and the Primary Care Trust in Cumbria. She worked with senior officers and members across the County to deliver financial audit and value for money conclusions.

Karen joined the Audit Commission in 1991 through the graduate training scheme and carried out regularity audits and value for money studies in both local government and health in Lancashire before qualifying as a CIPFA accountant in 1995. Since then she has worked across a range of audits in the North West.

She has been the District Auditor for a number of Primary Care Trusts across Greater Manchester and Merseyside and has also worked as an Engagement Lead in the Audit Commission's Trust Practice. This has given her a valuable insight into the issues affecting both commissioners and providers of NHS services.

Karen is also the Head of Quality for the Audit Practice. She is responsible for overseeing the national quality monitoring programme on behalf of the Director of Standards and Technical.