

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: 12 March 2012

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, 28 MARCH 2012** 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 30 November 2012 – copy enclosed.
3. Declarations of Interest (if any).
4. Public Participation (if any).

FOR DECISION

5. References from Overview and Scrutiny (if any).
- ✓ 6. Closure of Accounts Timetable 2011/12 – report of Director of Resources – copy enclosed.

- ✓ 7. Internal Audit Annual Plan 2012/13 – report of Director of Resources – copy enclosed.

FOR INFORMATION

- ✓ 8. Internal Audit Progress Report 2011/12 – report of Director of Resources – copy enclosed.
- ✓ 9. Audit Plan 2011/12 – report of Audit Commission – copy enclosed.
- ✓ 10. Certification of Claims and Returns 2009/10 – report of Audit Commission – copy enclosed
- ✓ 11. Update on the Outsourcing of Audit Services – report of Director of Resources – copy enclosed.
- 12. 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

Agenda Item No 6

meeting date: 28 MARCH 2012
title: CLOSURE OF ACCOUNTS TIMETABLE 2011/12
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

- 1.1 To remind members of the statutory requirement to closedown our accounts by 30 June 2012 and publish them including any certificate, opinion or report issued by the auditor, by 30 September 2012.
- 1.2 To inform members of the benefits of closing down our accounts by these deadlines, in particular the good governance aspects.
- 1.3 To consider the detailed timetable to be adhered to if we are to achieve the required deadlines.

2 BACKGROUND

- 2.1 The Accounts and Audit Regulations (2003) set out detailed prescription about the format and content of the statement of accounts and allocate certain responsibilities to participants in the accounts production process. In addition the Accounts and Audit Regulations (2006) introduced significant changes to these regulations. Further amendments were also made in 2009 and the regulations have more recently been consolidated in 2011.
- 2.2 The Regulations state that authorities must closedown their accounts by the end of June each year. This deadline was brought forward by three months over consecutive financial years. This had important implications for local authorities in terms of planning to ensure critical tasks were met and the approval of accounts carried out by the deadline.

3 THE ACCOUNTS AND AUDIT REGULATIONS

- 3.1 The principal matters covered by the regulations relevant to accounts preparation are:
 - the director of finance must ensure that the accounting records kept by the authority are sufficient to enable the preparation of the statement of accounts
 - the statement of accounts is required to be prepared in accordance with the Regulations and proper practices
 - the director of finance is required to certify that the accounts give a “true and fair view” of the financial position
 - a committee or members meeting as a whole are to approve the accounts as soon as is reasonably practicable
 - an annual review of the effectiveness of internal controls is required, which will feed into a statement on the system of internal control to be included in the statement of accounts (England only)

- the authority is to advertise electors' rights before the statutory inspection period and upon certification that the audit is complete
- the authority is to allow access to the accounts and specified supporting documents during the public inspection period
- publication of the accounts is to be achieved by particular dates.

The Regulations stipulate various responsibilities for the closure of accounts;

Members

- Ensuring adequate and effective financial management
- Ensuring that the authority has a sound system of internal control that facilitates the effective exercise of its functions and which includes arrangements for the management of risk
- Maintaining an adequate and effective system of internal audit in accordance with proper audit practices (the CIPFA Code of Practice for Internal Audit in Local Government in the UK)
- Ensuring that the statement of accounts is prepared in accordance with the Regulations
- Approving by a resolution of a committee or members meeting as a whole as soon as is reasonably practicable after audit
- Signing and dating of the statement of accounts by the presiding member at the approval

**Chief
Finance
Officer**

- Determining on behalf of the authority;
 - ✓ its accounting records (including the form of accounts and supporting accounting records)
 - ✓ its accounting control systems
 and ensuring that they are observed and that accounting records are maintained in accordance with 'proper practices' and are kept up to date
- Ensuring that accounting records are sufficient to show the authority's transactions and to enable the chief finance officer to ensure that the statement of accounts complies with the Regulations. In particular, the records shall contain:
 - ✓ entries from day to day of all monies received and expended and the matters to which the income and expenditure account relates
 - ✓ a record of the assets and liabilities of the authority
 - ✓ a record of income and expenditure in relation to claims for government contributions, grants and subsidies

- Ensuring that accounting control systems include:
 - ✓ measures to ensure financial transactions are recorded as soon as reasonably practicable and as accurately as reasonably possible
 - ✓ measures to enable the prevention and detection of fraud and corruption
 - ✓ the ability to reconstitute any lost records
 - ✓ identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions
 - ✓ procedures to ensure that uncollectable amounts (including bad debts) are not written off except with the approval of the responsible financial officer (RFO) (or their nominee) and that approval is shown in the accounting records
 - ✓ measures to ensure that risk is managed appropriately
- Signing and dating the statement of accounts , no later than 30 June, and certifying that it gives a “true and fair view” of the financial position of the body at the end of the year and its income and expenditure

3.2 The Regulations also contain important procedural requirements for the accounts production process;

- ❖ Authorities are required to publish their accounts as soon as reasonably possible after the auditor has certified the audit closed and in any event no later than **30 September**.
- ❖ The Regulations do not define what constitutes ‘publication’, but do confirm that it must be something more than inclusion in the agenda papers of a council or committee meeting. In previous years we decided to ‘publish’ our accounts on our website. We intend to continue publishing our accounts via this method.
- ❖ Authorities must advertise that the audit has been concluded and that the statement of accounts is available for inspection by the electors including the address at which and the hours during which the accounts are available for inspection and details of where the statement of accounts may be found on the councils web site.
- ❖ The auditor is responsible for appointing a day on which electors may exercise their rights to ask questions about the accounts and make objections and for notifying the authority of the date. The authority must make available for public inspection the accounts and supporting documents for **20 working days** before the auditor’s appointed day.
- ❖ The authority must advertise the inspection period at least **14 days before** it is to commence.

4 GOVERNANCE ISSUES

4.1 The early production of the statement of accounts is an essential element of good governance, therefore enabling members to;

- ❖ Receive assurance that accounting systems have operated adequately and have been closed down satisfactorily
- ❖ Have confidence that the budget for the current year has a secure foundation
- ❖ Understand the corporate financial performance during the year and also the position at 31 March

- ❖ Adopt the statement of accounts

4.2 It is important that members are aware of the comfort gained from having the statement of accounts published and also that this comfort should be provided at the earliest opportunity. If members fully scrutinise the accounts authorities are in an ideal situation:

- ❖ An interested readership will encourage a focus to disclosures
- ❖ A source of challenge for the content and presentation of the statement of accounts
- ❖ Demand for prompt production at the highest level in the authority that will provide muscle to attempts to meet deadlines

5 ISSUES FACING RIBBLE VALLEY

5.1 ***Budget Pressures***

Members will recall the difficulties in setting the 2012/13 budgets following the Government cuts to formula grant. As with previous years significant savings had to be found to produce an affordable budget.

The council does not know what level of government support will be provided in 2013/14 onwards, and the current local government resource review looks to fundamentally change the manner in which council services are financially supported, which adds further to the uncertainty.

As a consequence, it is anticipated that we may need to make further savings for the 2013/14 budget based on the governments intention to continue to reduce the budget deficit. The extent to which this will impact on local government has yet to be advised but the expectation is that the squeeze on the councils finances will continue for some years to come.

Therefore it is imperative that the accounts for the current year are closed as soon as reasonably practicable in order to inform the budget setting process. We will then be in a position to consider the council's reserves and balances and areas of over/under spending.

5.2 ***Practical Issues***

Last year our accounts were approved by the Accounts and Audit Committee on 29 June 2011. The final accounts, following amendments suggested by our auditors (via their Annual Governance Report), were also approved by the Accounts and Audit Committee on 24 August 2011. This arrangement worked very well with the Committee members able to give due consideration to the accounts and scrutinise areas they felt necessary.

The Accounts and Audit Regulations 2011 removed the requirement for this committee to approve the statement of accounts by the 30 June following the end of the financial year. The new requirement is for the responsible financial officer to sign and date the statements as a 'true and fair view' by no later than the 30 June.

However, it was agreed last year at this committee that as good practice we would continue to seek member approval at this committee before the end of June. Therefore the statement of accounts will be presented at the next meeting of this committee on Wednesday 27 June 2012 for approval. This will be prior to the commencement of the external audit, which starts on the 2 July.

The amended final accounts, following adjustments agreed with our auditors, will need to be approved by the end of September. For a second year, our external auditors are seeking to sign off the council's statement of accounts early and as a result the audited statement of accounts will be brought back to this committee on Wednesday 29 August 2012 for approval. It is important that all members endeavour to attend in order to ensure that the meeting is quorate.

5.3 **Resource Implications**

It should be stressed that the timetable attached assumes a full complement of accountancy staff. As members will be aware the introduction of International Financial Reporting Standards last year to local government has added pressure on the resources of the section. However, the level of restatement seen last year will not be required this year.

5.4 **Timetable**

Based on our past experience, the availability of our external auditors and the statutory deadlines we have determined a timetable for the closure of our accounts, attached at Annex 1. We firmly believe it is important that all staff are aware of the importance of achieving these deadlines and understand the vital roles they also play. As you will see from the timetable, a number of tasks have already begun or been completed.

You will see this timetable is considerably detailed and clearly indicates who is responsible for which actions. We have used our experience from last year's closure to inform this year's deadlines. Again we intend to monitor when we actually achieve each individual task in order to inform future timetables.

6 RECOMMENDED THAT COMMITTEE

- 6.1 Endorse the suggested approach for the closure of the 2011/12 accounts.

HEAD OF FINANCIAL SERVICES

AA3-12/LO/AC
16 March 2012

Timetable for Closure of 2011/12 Accounts

No.		Completion Date	Task	Member of Staff Responsible	Date Actually Done	Comments
1		6 – 21 Feb 2012	Audit Commission – Sophia Iqbal etc. on site Interim Audit looking at Financial Systems work	Lawson Oddie		
2	Fri	16 March 2012	Circulation of closure memo and estimated creditor/debtor sheets	Neil Sandiford		
3	Fri	16 March 2012	Requests for year end creditor invoice training for members of staff responsible for entering invoices on Powersolve to be received	Karen Blackburn Heads of Service		
4	Fri	23 March 2012	Review of “open” purchase orders , i.e. cancel/match up to invoice/keep under review to accrue	Trudy Holderness Neil Sandiford Robin Bramhall Louise Ashcroft		
5	Weds	28 March 2012	Last cheque run BACS/cheque dated 30 March 2012	Accounts team IT section		
6	Fri	30 March 2012	ALL stock takes to be carried out by Heads of Service	Trudy Holderness Robin Bramhall Neil Sandiford Heads of Service		
7	Fri	30 March 2012	Ensure all Goods Received Notes are entered on to the Purchasing system where goods or services have been received by the end of 31 March 2012	All Staff Louise Ashcroft		
8	Sat	31 March 2012	Ensure Creditors/Debtors balance reports & Aged Debtors reports are set to run at overnight on the Saturday	Accounts Team		
9	Mon	2 April 2012	Change settings on creditor and debtor transaction codes: crinv, crvat, crcrn, crcre, crcvt, dbinv, dbvat, dbcarn, dbcvt	Lawson Oddie		

No.		Completion Date	Task	Member of Staff Responsible	Date Actually Done	Comments
10	Mon	2 April 2012	Change default year and budget settings – including funds checking budget for purchasing.	Lawson Oddie		
11	Mon	2 April 2012	Receipt of petty cash books/floats/receipts	Sharon Callaghan All staff responsible for petty cash floats		
12	Mon	2 April 2012	Last date for receipt of office staff capital timesheets for charging to capital schemes. Also Works Administration and Grounds Maintenance timesheets	Sharon Callaghan Kay Plant Sally Mason Heads of Service		
13	Mon	2 April 2012	Roll Forward purchase order commitments to new financial year and provide reports to Accountants	Louise Ashcroft Robin Bramhall		
14	Mon	2 April 2012	Finalise PWLB interest and average interest rate for investments	Trudy Holderness		
15	Mon	2 April 2012	All income up to 31 March 2012 to be paid in to cash office: ❖ Level C & D receptions ❖ Pool ❖ Gym ❖ TIC ❖ Gallery ❖ Car Parks ❖ Vending Machines	All staff who pay cash in		
16	Mon	2 April 2012	Income analysis sheets for Pool, Gym, TIC and Gallery to be passed to Sharon Callaghan/Sally Mason for period up to and including 31 March 2012	Colin Winterbottom Stephanie Hibbert Katherine Rodgers Sharon Callaghan		
17	Mon	2 April 2012	Request information from Ribble Valley Homes for VAT shelter arrangement	Neil Sandiford		
18	Tues	3 April 2012	Cash office to have processed all bank statements up to 31 March 2012	Carole Lockwood Michelle West		

No.		Completion Date	Task	Member of Staff Responsible	Date Actually Done	Comments
19	Wed	4 April 2012	Entry of year end cash journals	Sharon Callahan/Sally Mason		
20	Wed	4 April 2012	Completed Statement 1's & 2's up to & incl. 31 March 2012 to be passed to Sharon Callaghan and Sally Mason and thereafter on a daily basis	Carole Lockwood Michelle West Sharon Callaghan Sally Mason		
21	Thu	5 April 2012	Last date for receipt of completed and authorised stock sheets	Trudy Holderness Robin Bramhall Neil Sandiford Heads of Service		
22	Thu	5 April 2012	Last date for receipt of council tax/NNDR prints	Mark Edmondson		
23	Thu	5 April 2012	Last date for receipt of undry debtor control sheets for 2011/12	Karen Keenan/Carole Malone Heads of Service All Staff		
24	Fri	6 April 2011	Good Friday			
25	Mon	9 April 2011	Easter Monday			
26	Tues	10 April 2012	Completion of all system reconciliations	All Accountancy		
27	Tues	10 April 2012	Last date for receipt of estimated debtor sheets	Neil Sandiford All Staff		
28	Tues	10 April 2012	Last day for receipt of holiday and lieu time records from PAs (for IFRS)	Neil Sandiford Averil Crowther Irene Williamson Lynne Calver		
29	Tues	10 April 2012	Bank reconciliation completed and authorised	Sharon Callaghan Sally Mason Robin Bramhall		
30	Thurs	12 April 2012	Last day for entering old year invoices on Financials	Karen Blackburn All Staff		
31	Thurs	12 April 2012	Last day for receipt of estimated creditor sheets	Neil Sandiford All Staff		
32	Fri	13 April 2012	Annual Governance Statement to be produced by	Amy Gaskell Jane Pearson		

No.		Completion Date	Task	Member of Staff Responsible	Date Actually Done	Comments
33	Tues	1 May 2012	Send AGS to Leader and CE for signing	Amy Gaskell		
34	Wed	2 May 2012	Receipt of IAS19/FRS17 information from Lancashire County Council	Lawson Oddie		
35	Wed	2 May 2012	Decision taken on assets to be added/written off	Jane Pearson		
36	Fri	4 May 2012	Central establishment recharges done by	Trudy Holderness Robin Bramhall Neil Sandiford		
37	Mon	7 May 2012	May Day			
38	Tues	8 May 2012	IAS19/FRS17 adjustment journals (as required) to be entered by	Lawson Oddie		
39	Fri	11 May 2012	Closedown collection fund	Lawson Oddie		
40	Fri	11 May 2012	Capital accounts finished and journals entered	Lawson Oddie Neil Sandiford		
41	Wed	16 May 2012	Interest allocated	Lawson Oddie		
42	Wed	16 May 2012	Service committee accounts to be finished and general fund summary account complete	Trudy Holderness Robin Bramhall Neil Sandiford		
43	Thurs	24 May 2012	Produce I&E A/C, Balance sheet	Lawson Oddie		
44	Fri	1 June 2012	Produce notes to the accounts	Lawson Oddie		
45	Mon	4 June 2012	Spring Bank Holiday			
46	Tues	5 June 2012	Diamond Jubilee			
47	Thurs	8 June 2012	Complete all other associated statements cash flow / Movement in Reserves Statement	Lawson Oddie Neil Sandiford		
48	Tues	12 June 2012	Complete Explanatory Foreword	Lawson Oddie		
49	Tues	12 June 2012	Statement of Accounts to be completed	Lawson Oddie		

No.		Completion Date	Task	Member of Staff Responsible	Date Actually Done	Comments
50	By Mon	18 June 2012	Advertise accounts available for inspection from 2 July 2012	Lawson Oddie Averil Crowther		
51	Mon	18 June 2012	Distribution date for Accounts and Audit Committee	Lawson Oddie		
52	Wed	27 June 2012	Accounts and Audit Committee meeting to approve accounts	Lawson Oddie Jane Pearson		
53	Mon	2 July 2012	Period of public inspection starts (20 working days before appointed day)	Lawson Oddie		
54	Mon	2 July 2012	Audit Commission commence final accounts audit	Audit Commission		
55	Fri	13 July 2012	Revenue Outturn Forms to be completed by	Neil Sandiford Lawson Oddie		
56	Mon	30 July 2012	WGA Return to be completed by (Unaudited)	Neil Sandiford Lawson Oddie		
57	Wed	1 August 2012	Clearance meeting with Audit Commission	Audit Commission Jane Pearson Lawson Oddie		
58	Thurs	2 August 2012	Audit Commission appointed day	Audit Commission		
59	Mon	13 August 2012	Complete Annual Governance Report adjustments and issue final Statement of Accounts to Audit Commission	Lawson Oddie Audit Commission		
60	Mon	20 August 2012	Distribution Date for Accounts and Audit Committee	Lawson Oddie Audit Commission		
61	Mon	27 August 2012	August Bank Holiday			
62	Wed	29 August 2012	Accounts and Audit Committee meeting to consider the Annual Governance Report and approve amended Final Accounts	Jane Pearson Lawson Oddie Audit Commission		
63	Fri	31 August 2012	Receipt of Accounts opinion from Audit Commission	Audit Commission		
64	Mon	3 September 2012	Accounts to be published on website by	Lawson Oddie Kay Plant		

No.		Completion Date	Task	Member of Staff Responsible	Date Actually Done	Comments
65	Fri	7 September 2012	Summary Accounts to be prepared and published on website by	Neil Sandiford Lawson Oddie		
66	Fri	28 September 2012	Whole of Government Accounts return (audited) to be completed by	Lawson Oddie Neil Sandiford		

RIBBLE VALLEY BOROUGH COUNCIL DECISION
REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 7

meeting date: 28 MARCH 2012
title: INTERNAL AUDIT ANNUAL PLAN 2012/13
submitted by: DIRECTOR OF RESOURCES
principal author: MICK AINSCOW

1 PURPOSE

1.1 To submit to committee the internal audit plan for 2012/13.

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 All local authorities are required to make proper provision for Internal Audit in line with the 1972 Local Government Act and the Accounts and Audit Regulations 2011. The CIPFA Code of Practice on Internal Audit in Local Government requires the proper planning of audit work.

2.2 Internal Audit ensures that good internal controls are inherent in all the Council's systems. All services have been identified into auditable areas and then subjected to a risk assessment process. This risk assessment scores each area against 4 key factors.

- Materiality
- Primary Objectives
- Audit Experience and Assurance
- Time since last audit

2.3 Scores are given across these four factors for each auditable area to arrive at a risk score, from which it is determined whether the area in question is high, medium or low risk. A score of 4 or 5 is regarded as low risk, of 6 or 7 as medium, and 8 and over as high.

2.4 Using the risk scoring an operational audit plan is produced which prioritises resource allocation based on the risk score. All high risk areas are covered annually with the medium and low risk areas covered at least twice over a three year period. The number of days allocated to each area is based on past experience and level of testing required.

3 2012/13 INTERNAL AUDIT YEAR

3.1 The proposed audit plan for 2012/13 is currently under consultation with Directors, Heads of Service and the Audit Commission. Once this consultation process is completed a finalised audit plan will be produced for Members to consider. This finalised audit plan will be circulated to Members at the time of the meeting.

- 3.2 With regard to risk management, internal audit will continue to have a monitoring role during 2012/13. Risk owners are asked to review all their risks periodically in accordance with agreed timescales, and we will monitor all risks to ensure this is being done with any red risks being reported to this Committee.
- 3.3 We will continue to allow a number of days in the audit plan for contingencies. This is to account for any work carried out that is unplanned e.g. possible fraud investigations, complaints from members of the public or pieces of work carried out following specific requests from Directors or Heads of Service.
- 3.4 Further work will also be programmed for computer audit work, however, this will fall outside the audit plan as we do not have the necessary expertise in house for this area of audit work. The Council have an earmarked reserve for use in the procurement of such external provision.
- 4 RECOMMENDED THAT COMMITTEE
- 4.1 Approve the 2012/13 internal audit plan, which will be circulated to Members at the meeting.

PRINCIPAL AUDITOR
AA2-12/MA/AC

15 March 2012

RIBBLE VALLEY BOROUGH COUNCIL INFORMATION

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 8

meeting date: 28 MARCH 2012
 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 sound 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 and audit experience. 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 the medium and low-risk areas covered at least twice in every three year cycle.

2.3 The full internal audit plan for 2011/12 is attached as Annex 1 alongside progress to date. 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
Total	628






2.4 The position with regards to audit work carried out as at the end of February 2012 is included within Annex 1 and shows completed audits, audits in progress, continuous activity and audit work which will be carried forward into 2012/13.

3 2011/12 INTERNAL AUDIT YEAR

3.1 Our intention every year is to review all of the Council's main fundamental systems. So far this year we have completed testing on Payroll and Human Resources, Sundry Debtors and Council Tax systems. Testing is currently in progress on NNDR,


General Ledger and Creditors systems and I am hopeful of completing main work by the end of April. Work on the Housing Benefits system can then commence. Extensive testing has been carried out in order that we can provide the assurance opinion.

- 3.2 In addition to our systems work we have continued to carry out a series of ongoing checks to prevent/detect fraud and corruption.
- 3.3 The table at Annex 1 shows a comparison between actual and planned days as per the approved 2011/12 plan. The major variances are in respect of the audits carried out on the Payroll and Human Resources system and on the Visitor Information Centre. In respect of Payroll and HR a number of new and emerging areas were reviewed resulting in increased testing being carried out. In respect of the Visitor Information Centre audit, as Members will be aware following a previous report to this Committee, significant areas of concern were encountered, resulting in extensive additional work being undertaken and also a follow-up audit being carried out.
- 3.4 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 1	Full		The Council can place full reliance on the levels of control in operation
Level 2	Substantial		The Council can place substantial reliance on the levels of control in operation
Level 3	Reasonable		Generally sound systems of control. Some minor weaknesses in control which need to be addressed
Level 4	Limited		Only limited reliance can be placed on the arrangements/ controls in operation. Significant control issues need to be resolved.
Level 5	Minimal		System of control is weak, exposing the operation to the risk of significant error or unauthorised activity

4 REPORTS CARRIED OUT AND ASSURANCE OPINIONS

- 4.1 This report covers audit work and reports issued since the last report to Committee on 30 November 2011. The table below sets out the assurance opinions issued from these audits:

Date of Report	Assurance Opinion	Report Details
November 2011	Reasonable 	Data Protection – all areas of operation running effectively. Minor recommendations regarding amendments/updates to Data Protection and IT Security Policies

Date of Report	Assurance Opinion	Report Details
December 2011	Substantial ✓ ✓	Treasury Management – control systems in place were sound and operating effectively. No recommendations arising.
February 2012	Reasonable ✓	Ribblesdale Pool – majority of areas were operating effectively, but concern was raised that the lifeguard training requirements as stipulated in the Pool Health and Safety policy were not being adhered to and should be subject to immediate review.
February 2012	Reasonable ✓	Printing and Stationery – controls in place were basically sound. Improvements in stock record details were discussed and implemented during the audit.
March 2012	Substantial ✓ ✓	Payroll and Human Resources System – system controls were sound and working effectively. Recommendations were made regarding the keeping of data on files by the Personnel section.

5 QUALITY MONITORING

- 5.1 Customer feedback questionnaires are issued following the completion of the majority of audit work carried out. These questionnaires ask for the auditees views on the work that has been undertaken. Summary results are shown at Annex 2 for the questionnaires returned since the last meeting of this Committee, and it is pleasing to note that we continue to deliver what customers want. All returned questionnaires show an average score above our target level of 4.

PRINCIPAL AUDITOR

AA1-12/MA/AC
16 March 2012

Annex 1

Internal Audit Progress against 2011/12 Approved Plan

2011/12 Planned Days	Audit	Actual days to 29/02/12	Status as at 29/02/12
<i>Fundamental (Main) Systems</i>			
30	General Ledger	12	
15	Creditors	2	
15	Debtors	20	✓
20	Payroll and Human Resources	45	✓
45	Council Tax	48	✓
45	Housing Benefits	0	CFwd
30	NNDR	15	
200		142	
<i>Other Systems Work</i>			
10	Cash and Bank Reconciliation	0	CFwd
5	Stores	0	CFwd
10	Loans and Investments	12	✓
20	Data Protection	24	✓
20	Freedom of Information	10	
20	Health and Safety	0	CFwd
20	Enterprise Risk Management	0	CFwd
105		46	
<i>Probity and Regularity</i>			
15	Flexitime System	8	∞
8	Car Allowances	8	∞
10	Land Charges	4	
12	HB Cheque Delivery	0	N/A
20	HB Tenancy Verification	0	
5	Petty Cash	6	✓
50	CT/HB checks/NFI checks	45	∞
10	Staff Expenses	12	∞
5	Fees and Charges	5	∞
3	Printing and Stationery	5	✓
5	Rechargeable Works	5	✓
8	Visitor Information Centre	46	✓
3	Car Parking	0	CFwd
5	Inventories	1	∞
3	Longridge Gym	1	N/A
5	Ribblesdale Pool	11	✓

2011/12 Planned Days	Audit	Actual days to 29/02/12	Status as at 29/02/12
5	Platform Gallery	5	✓
5	Private Drain Clearances	0	CFwd
5	Clitheroe Market	2	CFwd
8	Cemetery	7	✓
4	Building Control	14	✓
4	Planning Income	10	✓
10	Contract Procedure Rules	0	CFwd
208		195	
25	Contingencies	12	∞
25		12	
50	Risk Management	56	∞
15	Corporate Governance	30	∞
25	PI's/SIC	17	∞
90		103	
30	Insurance	25	∞
0	Sickness	46	
0	Vacant Post	23	
30		94	
	Available audit days to 31/3/2012	66	
658		658	

Key:

 **Completed**

 **In progress**

 **Continuous Activity**

CFwd **Carried Forward to 2012/13 Plan**

Annex 2

Question	Visitor Information Centre	Council Tax System	Building Control	Treasury Management	Planning Income
Sufficient notice given to arrange the visit (not applicable for unannounced visits)	4	5	4	5	5
A briefing sheet was sent prior to commencement of the audit and any comments/requests made were taken into account during the audit	4	5	4	5	5
The Auditors understanding of your systems and any operational issues	3	5	3	5	5
The audit was carried out efficiently with minimum disruption	5	5	5	5	5
The level of consultation during the audit	5	5	4	3	5
The audit was carried out professionally and objectively	4	5	5	5	5
The draft report addressed the key issues and was soundly based	4	5	5	N/A	5
Your opportunity to comment on the findings	4	5	5	N/A	5
The final report in terms of its clarity and conciseness	4	5	4	3	5
The prompt issue of the final report	4	5	5	5	5
The recommendations in the final report will improve control and/or performance	4	5	4	N/A	N/A
The audit was constructive and added value overall	4	5	4	2	4
Average	4.1	5.0	4.3	4.2	4.9

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

Audit plan

Ribble Valley Borough Council

Audit 2011/12



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Introduction

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

Responsibilities

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

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

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

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

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

Accounting statements and Whole of Government Accounts

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

Materiality

I will apply the concept of materiality in planning and performing my audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

Identifying audit risks

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

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

Identification of significant risks

I have considered the additional risks that are relevant to the audit of the accounting statements and have set these out below.

Table 1: **Significant risks**

Risk	Audit response
<p>Heritage Assets</p> <p>The 2011/12 Code adopts the requirements of FRS 30 Heritage Assets. There is a risk that the Authority may be unable to identify and account for all heritage assets due to 2011/12 being the first year of the requirements. The amounts involved are expected to be material and a high degree of subjectivity and estimation will be applied in the valuation.</p> <p>A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture. For Ribble Valley Borough Council this is likely to include:</p> <ul style="list-style-type: none">■ The Castle Keep at Clitheroe■ Clitheroe Castle Museum collection■ Civic Regalia■ The Roman Bath site at Ribchester	<p>I will evaluate the management controls you have in place to recognise and value heritage assets. I will also undertake testing to check that the Authority has accounted for heritage assets in accordance with FRS 30 and the Code and the financial statements are materially stated.</p>
<p>Pension Fund valuation and accounting.</p> <p>The Authority's accounts include material figures in respect of pension liabilities and transactions for the year. These figures are an estimation made by a professional actuary.</p>	<p>I will review your controls over establishing estimates, including arrangements for instructing your actuary and controls over information provided to the actuary.</p> <p>I will carry out audit procedures for reliance on the work of the actuary.</p> <p>I will agree accounting entries and disclosure within the accounts to the actuarial statement.</p>

Testing strategy

My audit involves:

- review and re-performance of work of your internal auditors (where relevant);
- testing of the operation of controls;
- reliance on the work of other auditors – for the Lancashire Pension Fund;
- reliance on the work of expert – for the valuer and actuary; and
- substantive tests of detail of transactions and amounts.

I have sought to:

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

The nature and timing of my proposed work is as follows.

Table 2: **Proposed work**

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
Interim visit	Systems work	General Ledger Payroll Council Tax NNDR	None at this stage	None at this stage	Opening to closing balances on the ledger
Final visit		N/A	Pension Fund liabilities and assets - Audit Commission colleagues.	Pensions liabilities and assets – Mercers and our own consulting actuary	All material accounts balances and amounts Year-end feeder system

	Review of internal audit	Controls testing	Reliance on the work of other auditors	Reliance on work of experts	Substantive testing
				Valuation of property, plant and equipment – District Valuer.	reconciliations

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

Whole of Government Accounts

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

Value for money

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

My conclusion on the Authority's arrangements is based on two criteria, specified by the Commission. These relate to the Authority's arrangements for:

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

Identification of significant risks

I have considered the risks that are relevant to my value for money conclusion. At this time I have not identified any significant risks.

Key milestones and deadlines

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

Table 3: **Proposed timetable and planned outputs**

Activity	Date	Output
Opinion: controls and early substantive testing	February 2012	Separate report if required.
Opinion: receipt of accounts and supporting working papers	30 June 2012	
Opinion: substantive testing	July - August 2012	
Value for money	March – August 2012	
Present Annual Governance Report at the Audit Committee	TBC	Annual Governance Report
Issue opinion and value for money conclusion	By 30 September 2012	Auditor's report
Summarise overall messages from the audit	October 2012	Annual Audit Letter

The audit team

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

Table 4: **Audit team**

Name	Contact details	Responsibilities
Karen Murray District Auditor	k-murray@audit-commission.gov.uk 0844 798 7041	Responsible for the overall delivery of the audit including quality of reports, signing the auditor's report and liaison with the Chief Executive.
Georgia Jones Audit Manager	georgia-jones@audit-commission.gov.uk 0844 798 4827	Manages and coordinates the different elements of the audit work. Key point of contact for the Director of Resources.

Independence and quality

Independence

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

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

Quality of service

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

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

Fees

The fee for the audit is £87,837 as set out in my letter of 21 April 2011.

The audit fee

The Audit Commission has set a scale audit fee of £87,837 which represents a 5 per cent reduction on the audit fee for 2010/11.

The scale fee covers:

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

The scale fee reflects:

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

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

Assumptions

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

Specific actions you could take to reduce your audit fee

Where I identify any specific actions you could take to reduce your audit fee I will advise you of this.

Total fees payable

In addition to the fee for the audit, the Audit Commission will charges fees for:

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

Based on current plans the fees payable are as follows.

Table 5: Fees

	2011/12 proposed	2010/11 actual	Variance
Audit	87,837	92,460	4,623
Certification of claims and returns	22,470 (estimate)	17,537	4,933
Total	110,307	109,997	310

In recent years the Audit Commission has given a rebate on the main audit fee.

In 2010/11 the Audit Commission gave a rebate of £6,787 giving a net audit fee of 85,673 and an overall fee of £103,210.

The fee for grants for 2010/11 was originally estimated as £25,100 but the actual fee charged is £17,537, a reduction of £7,563.

In 2011/12 the Audit Commission has confirmed a rebate of £7,027 giving a net audit fee of £80,810 and an overall fee of £103,280.

The fee for grants is an estimate and may vary.

Appendix 1 – Independence and objectivity

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

Table 6: **Independence and objectivity**

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

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

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

Appendix 2 – Basis for fee

In setting the fee, I have assumed the following.

- The risk in relation to the audit of the accounting statements is not significantly different to that identified for 2010/11.
- The risk in relation to my value for money responsibilities is not significantly different to that identified for 2010/11.
- Internal Audit meets professional standards.
- Internal Audit undertakes sufficient appropriate work on all systems that provide material figures in the accounting on which I can rely.
- The Authority provides:
 - good quality working papers and records to support the accounting statements and the text of the other information to be published with the statements by 30 June 2012;
 - other information requested within agreed timescales;
 - prompt responses to draft reports; and
- there are no questions asked or objections made by local government electors.

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

Appendix 3 – Glossary

Accounting statements

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

Annual Audit Letter

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

Annual Governance Report

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

Annual Governance Statement

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

Audit of the accounts

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

Audited body

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

Auditing Practices Board (APB)

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

Auditing standards

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

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

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

Commission (the)

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

Ethical Standards

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

Group accounts

Consolidated accounting statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

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

Materiality

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

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

Significance

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

Those charged with governance

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

Whole of Government Accounts

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

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0844 798 7070

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

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



Certification of claims and returns - annual report

Ribble Valley Borough Council

Audit 2010/11



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Results of 2010/11 certification work	5
Summary of certification fees	6

Introduction

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

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

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

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

Summary of my 2010/11 certification work

The Authority has performed well in preparing claims and returns.

My work resulted in an amendment of only one of the two claims and returns for the year ended 31 March 2011 the Authority was required to submit for certification. In no cases did I have to issue a qualification letter accompanying my certificate on a claim or return.

Table 1: Summary of 2010/11 certification work

Number of claims and returns certified	
Total value of claims and returns certified	20,064,422
Number of claims and returns amended due to errors	1
Number of claims and returns where I issued a qualification letter because there was disagreement or uncertainty over the content of the claim or return or scheme terms and conditions had not been complied with	0
Total cost of certification work	17,537

I gave an unqualified report on each of the two claims. Some minor amendments were needed to the Housing and Council Tax Benefit claim, as there were a number of errors which were a product of the Housing Benefit system and needed to be manually adjusted on the claim. The claim was amended to correct these errors.

Results of 2010/11 certification work

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

Table 2: Claims and returns above £500,000

Claim or return	Value of claim or return presented for certification (£'000)	Was reliance placed on the control environment?	Value of any amendments made (£'000)	Was a qualification letter issued?
Housing and council tax benefit scheme	£ 8,931	Y	£10.6	N
National non-domestic rates return	£11,134	Y	-	N

Summary of certification fees

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

Table 3: Summary of certification fees

Claim or return	2010/11 fee	2009/10 fee	Reasons for changes in fee greater than +/- 10 per cent
Housing and council tax benefit scheme	16,855	17,792	
National non-domestic rates return	682	3,083	Detailed testing was completed in 2009/10 and I was able to rely on this for my audit of the 2010/11 claim.
Total	17,537	20,875	

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



RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO ACCOUNTS AND AUDIT COMMITTEE

INFORMATION

Agenda Item No 11

meeting date: 28 MARCH 2012
title: UPDATE ON THE OUTSOURCING OF AUDIT SERVICES
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

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

2 BACKGROUND

- 2.1 As members will be aware from previous progress report, 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 followed 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 would start on 1 September 2012.
- 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.

3 LATEST POSITION

- 3.1 The council have now been informed that the procurement process has been completed and that the contracts have been awarded. The contracts have been awarded to four firms for a period of five years. The full details are attached at Annex 1.
- 3.2 The contract for the North West has been awarded to Grant Thornton and confirmation by the Commission Board is expected on the 22 March, after which the council will be contacted by the Audit Commission to confirm the appointment.
- 3.3 Significant savings have been made as part of the procurement and the Audit Commission's own cost reduction programme, and we have been informed that these will be passed back through significant reductions in scale of audit fees, details of which will be available in April.

- 3.4 Introductory meetings are to be held over the coming months, which will give the council an opportunity to meet the new firm proposed as our auditor, and its senior partners. This will allow the council to hear how the firm plans to manage its new portfolio and its approach to the audits. For the North West, this meeting will be held on 1 May, however, full details of the meeting day are not yet available.
- 3.5 The Audit Commission will complete the audit of the Council's Statement of Accounts for 2011/12, after which, from the 1 November 2012, the council's appointed auditors will be Grant Thornton. Existing staff from the Audit Commission will likely transfer under TUPE arrangements to Grant Thornton.
- 4 CONCLUSION
- 4.1 The Contract for external audit services in the North West has been awarded to Grant Thornton, who will become the council's appointed auditors from 1 November 2012.
- 4.2 The procurement has progressed well and also achieved significant savings which will be passed on to the council by way of a significant reduction in its audit fees.
- 4.3 A meeting will take place between North West councils currently audited by the Audit Commission, and Grant Thornton, on 1 May 2012.

HEAD OF FINANCIAL SERVICES
LAWSON ODDIE

AA4-12/LO/AC
19 March 2012



Local government

Health

Fraud

Audit regime

Audit Practice

Dear Ms Pearson

Update on the outsourcing of audit services

I want to update you on the outcome of the procurement exercise to outsource the work of the Commission's in-house audit practice and on the process for making auditor appointments for 2012/13 and subsequent years.

The procurement process

The Commission has announced the award of contracts to four firms for five years, as follows:

Firm	Contract areas
DA Partnership	North East & North Yorkshire
Ernst & Young	Eastern
	South East
Grant Thornton	North West
	West Midlands
	London (South), Surrey & Kent
	South West
KPMG	Humberside & Yorkshire
	East Midlands
	London (North)

Through our bulk purchasing power, the Commission has been able to secure very competitive prices that will save local public bodies over £30 million a year for a minimum of five years.

We consulted the Department for Communities and Local Government (DCLG) on the length of contracts to be awarded. DCLG in turn consulted key stakeholders in the different sectors and across government. Ministers' preference, taking stakeholders' views into account, was for the Commission to award the contracts for five years, which the Board agreed at its February meeting.

The significant savings we have been able to secure through the procurement, together with the benefits of our own cost reduction programme, will be passed back to local public bodies through significant reductions in scale of audit fees. We have already consulted on draft scales of fees which provide for a ten per cent reduction.

We are now confident that we can go significantly further. We will publish the final scales of audit fees for 2012/13 in April.

The auditor appointment process

We began the process for making auditor appointments for 2012/13 in December 2011, when we wrote to you to consult on 'interim' auditor appointments for the first five months of 2012/13. The deadline for comments on our proposed appointment was 17 February.

I am pleased to say that in all cases our proposed appointment was accepted and the interim appointments will now be confirmed by the Commission Board on 22 March. We will write to you to confirm the appointment as soon as possible after this date.

The next stage in the process is to develop and consult on our proposals for 'permanent' auditor appointments for 2012/13 and subsequent years. We will be writing to all audited bodies on or shortly after 23 April to set out our proposals.

Where a body is currently audited by an auditor from the Commission's in-house Audit Practice, we will propose as the appointed auditor the firm that was awarded the contract in each area, unless there are good reasons that to do so would be inappropriate. Where a body is currently audited by a firm, we propose to extend that appointment. In all cases we will be consulting on the appointment of the firm - which in law will be the appointed auditor - not the individual engagement lead.

To support the consultation process, we are arranging a series of introductory meetings in each contract area between 30 April and 16 May. The purpose of these meetings is to give audited bodies in each area an opportunity to meet the new firm proposed as their auditor and its senior partners, and hear how the firm plans to manage its new portfolio and its approach to the audits.

The schedule of these meetings is:

Contract area	Areas covered	Date
West Midlands	Herefordshire, Shropshire, Staffordshire, Warwickshire, West Midlands and Worcestershire	30 April
North West	Cheshire, Cumbria, Greater Manchester, Lancashire, Merseyside	1 May
South East	Berkshire, Buckinghamshire, East Sussex, Hampshire and Isle of Wight, Oxfordshire and West Sussex	2 May
London South, Surrey and Kent	London boroughs south of River Thames, Kent and Surrey	3 May
London North	London boroughs north of River Thames	9 May
East Midlands	Derbyshire, Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire	10 May
South West	Avon, Cornwall, Devon, Dorset, Gloucestershire, Somerset and Wiltshire	11 May

Eastern	Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk	14 May
Yorkshire and Humberside	Humberside, South Yorkshire and West Yorkshire	15 May
North East and North Yorkshire	Cleveland, Durham, Northumberland, North Yorkshire and Tyne and Wear	16 May

Our consultation letter will include the arrangements for each meeting.

In January, we published our [Auditor appointments strategy](#), which sets out the process we will follow in making auditor appointments. This provides bodies with two opportunities to object to our proposed appointment. A panel of Commissioners will ultimately consider unresolved objections to the proposed appointments. The panel includes three local government councillors and a member with NHS expertise, and will receive independent advice from a local authority Chief Executive and Finance Director.

If you wish to clarify any of the points in this email or ask other questions about its content, please email auditor-appointments@audit-commission.gov.uk or contact Marcine Waterman or Andrew Davies on 0844 798 2447.

Yours sincerely

Martin Evans
Managing Director, Audit Policy

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

