

RIBBLE VALLEY BOROUGH COUNCIL

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date: 20 November 2012

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Dear Councillor

The next meeting of the **ACCOUNTS AND AUDIT COMMITTEE** is at **6.30PM** on **WEDNESDAY, 28 NOVEMBER 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 22 August 2012 – copy enclosed.
3. Declarations of Interest (if any).
4. Public Participation (if any).

FOR DECISION

- ✓ 5. Annual Audit Letter – report of Director of Resources – copy enclosed.

FOR INFORMATION

- ✓ 6. Internal Audit Progress Report 2012/13 – report of Director of Resources – copy enclosed.
- ✓ 7. Grant Thornton Audit Fee Letter 2012/13 – report of Director of Resources – copy enclosed.
- ✓ 8. Review of Risks – report of Director of Resources – copy enclosed.
- 9. Reports from Representatives on Outside Bodies (if any).

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

- 10. Report on Audit Investigation – report of Director of Resources – to be circulated.

**RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO ACCOUNTS AND AUDIT COMMITTEE**

DECISION

Agenda Item No 5

meeting date: 28 NOVEMBER 2012
title: ANNUAL AUDIT LETTER 2011/12
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

- 1.1 To consider the Audit Commission's Audit Letter for 2011/12

2 BACKGROUND

- 2.1 The Audit Commission, who were the Council's external auditor at the audit of the final accounts, was 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 22 August 2012, 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 2011/12 and the auditor issued an unqualified opinion.

3 ANNUAL AUDIT LETTER 2011/12

- 3.1 On completion of the annual audit, the Audit Commission publishes an Annual Audit Letter which summaries the outcome of their work.
- 3.2 The Annual Audit Letter for 2011/12 has now been received and is attached at Annex 1 of this report.
- 3.3 As referred to in the attached letter, the Annual Governance Report (AGR), which was presented to the last meeting of this committee, outlined the main findings of the audit.
- 3.4 The auditor has issued an unqualified opinion on the Council's Statement of Accounts for 2011/12 and is satisfied that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. It is very pleasing to note the auditor's closing remarks.

4 CONCLUSION

- 4.1 The contents of the Annual Governance Report have already been considered by this committee at its last meeting in August.
- 4.2 An unqualified opinion has been issued on the Statement of Accounts and it has been concluded that the council has proper arrangements in place to secure economy, efficiency and effectiveness in the use of its resources.
- 4.3 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 contents of the auditors Annual Audit Letter.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA20-12/LO/AC
13 November 2012

31 August 2012

Members
Ribble Valley Borough Council
Council Offices
Church Walk
Clitheroe
BB7 2RA

Direct line 0844 798 7041
Email k-murray@audit-
commission.gov.uk

Dear Member

Ribble Valley Borough Council Annual Audit Letter 2011/12

I am pleased to submit my Annual Audit Letter which summarises my 2011/12 audit of Ribble Valley Borough Council.

Financial statements

On 22 August 2012 my Annual Governance Report (AGR) was presented to the Accounts and Audit Committee outlining the findings of my audit of the Authority's 2011/12 financial statements. I will not replicate those findings in this letter.

Following the Audit Committee I:

- issued an unqualified opinion on the Authority's 2011/12 financial statements included in the Authority's Statement of Accounts;
- concluded that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources;
- certified completion of the audit.

Closing remarks

I have discussed and agreed this letter with the Chief Executive and Director of Resources. While this has been another challenging year for the Council I wish to thank the finance staff for their positive and constructive approach they have taken to my audit. I also wish to thank senior management and the Accounts and Audit Committee for their support and co-operation during the audit.

Yours sincerely

Karen Murray
District Auditor

INFORMATION

**RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO ACCOUNTS AND AUDIT COMMITTEE**

Agenda Item No 7

meeting date: 28 NOVEMBER 2012
title: GRANT THORNTON PLANNED AUDIT FEE 2012/13
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

1.1 To inform members of the planned audit fee of Grant Thornton for this council for 2012/13.

2 BACKGROUND

2.1 As members will be aware from previous reports, the Audit Commission transferred its in-house audit practice to the private sector by outsourcing through a procurement exercise.

2.2 The contract for the North West has been awarded to Grant Thornton, who formally took the audit of this council from the 1 November 2012.

2.3 This council has long campaigned for a reduction in the level of audit fees, particularly following the removal of the Comprehensive Area Assessment. We were informed that the procurement of external audit services had secured substantial savings which would be reflected in future audit fees.

3 PLANNED AUDIT FEE

3.1 We have been informed by Grant Thornton of the planned audit fee for 2012/13, following their appointment by the Audit Commission as auditors to the Council, as attached at Annex 1.

3.2 The council's original budget for the main audit fee was set in February as £82,840. The planned audit fee in the attached letter is substantially lower than this at £52,700, representing a saving in the current year of £30,140.

3.3 The planned audit fee represents a 40% saving on that which was charged in 2011/12.

4 CONCLUSION

4.1 The outsourcing of audit services has achieved sizeable savings. The transfer of the previous Audit Commission team to Grant Thornton has also ensured that we can continue our excellent working relationship.

4.2 We are extremely pleased that we will now see a substantial saving on our audit fees for the current and future years.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA21-12/LO/AC
14 November 2012

21-12aa

Marshal Scott
Chief Executive
Ribble Valley Borough Council
Council Offices
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Grant Thornton UK LLP
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12 November 2012

Dear Marshal

Ribble Valley Borough Council

Planned audit fee for 2012/13

We are delighted to have been appointed by the Audit Commission as auditors to the Council and look forward to providing you with a high quality external audit service for at least the next five years. We look forward to developing our relationship with you over the coming months, ensuring that you receive the quality of external audit you expect and have access to a broad range of specialist skills where you would like our support.

The Audit Commission has set its proposed work programme and scales of fees for 2012/13. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

For 2012/13, the Commission has independently set the scale fee for all bodies. The Council's scale fee for 2012/13 is £52,702 which compares to the audit fee of £87,837 for 2011/12, a reduction of 40%.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/scaleoffees1213.

The audit planning process for 2012/13, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Chartered Accountants

Member firm within Grant Thornton International Ltd
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

Scope of the audit fee

Our fee is based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2012/13. It covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VFM conclusion and a separate report of our findings will be provided.

Our planning to date has not identified any additional work which we are required to undertake to support our VFM conclusion. We will continue to assess the Council's arrangements and discuss any additional work required during the year.

Certification of grant claims and returns

The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This composite fee, which is set by the Audit Commission, is based on actual 2010/11 fees adjusted to reflect a reduction in the number of schemes which require auditor certification and incorporating a 40% fee reduction. The composite indicative fee grant certification for the Council is £10,550.

Billing schedule

Our fees are billed quarterly in advance. Given the timing of our appointment we will raise a bill for two quarters in December 2012 with normal quarterly billing thereafter. Our fees will be billed as follows:

Main Audit fee	£
December 2012	26,351
January 2013	13,176
March 2013	13,175
	52,702
Grant Certification	
June 2013	10,550
Total	63,252

Outline audit timetable

We will undertake our audit planning and interim audit procedures in January to March 2013. Upon completion of this phase of our work we will issue our detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VFM conclusion will be completed in May 2013 and work on the whole of government accounts return in September 2013.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January to March 2013 (TBC)	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VFM.
Final accounts audit	June to Sept 2013	Report to those charged with governance	This report will set out the findings of our accounts audit and VFM work for the consideration of those charged with governance.
VFM conclusion	Jan to Sept 2013	Report to those charged with governance	As above
Financial resilience	Jan to Sept 2013	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2013	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2013	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2013	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2012/13 remain unchanged:

	Name	Phone Number	E-mail
Engagement Lead	Karen Murray	0161 234 6364	Karen.L.Murray@uk.gt.com
Engagement Manager	Georgia Jones	0161 214 6383	Georgia.S.Jones@uk.gt.com
Audit Executive	Anita McGoay	0161 234 6367	Anita.McGoay@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Head of Public Sector Assurance at Sarah.Howard@uk.gt.com.

Yours sincerely

Karen Murray
For Grant Thornton UK LLP

cc: Jane Pearson
Director of Resources

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

DN

Agenda Item No 6

meeting date: 28 NOVEMBER 2012
title: INTERNAL AUDIT PROGRESS REPORT 2012/13
submitted by: DIRECTOR OF RESOURCES
principal author: MICK AINSCOW

1 PURPOSE

1.1 To report to Committee internal audit work progress to date for 2012/13.

1.2 Relevance to the Council's ambitions and priorities:

- Corporate priorities – the Council seeks to maintain critical financial management and controls, and provide efficient and effective services.
- Other considerations – the Council has a statutory duty to maintain an adequate and effective system of internal audit.

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 resources 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 2012/13 is attached as Annex 1 alongside progress to date. In summary resources for the year have been allocated as follows:






Audit Area	2012/13 Planned Days
Fundamental (Main) Systems	250
Other Systems	55
Probity and Regularity	228
On-going checks	48
Risk Management, Performance Indicators	55
Non-Audit Duties (Insurance)	30
	666

2.4 The position with regards to audit work carried out as at the end of October 2012 is included within Annex 1 and shows completed audits, audits in progress and continuous activity.

2.5 The Senior Auditor in the team is currently working for half of the week in the accountancy section gaining work experience after obtaining full membership of CIPFA. Following advertisement of the position, some temporary cover has been secured and the new member of staff started in post on 6 August. In addition the Audit Technician in the team has moved to a position also within the accountancy section. Following advertisement of this position a permanent replacement started in post on 17 September.

3 ISSUES

- 3.1 During the year we aim to review all of the Council's main fundamental systems. The majority of this work will be carried out later in the year, in order that there are sufficient current year transactions to test to provide the necessary level of assurance. Testing in relation to systems audit work is currently on-going for council tax, housing benefits, main accounting and creditors systems.
- 3.2 Since the middle of June a great deal of audit staff time has been spent on an un-programmed audit investigation. A report on this investigation will be provided at the committee meeting. This has inevitably impacted on the achievement of the audit plan to date.
- 3.3 In addition to our systems work we will continue to carry out a series of on-going checks to prevent/detect fraud and corruption.
- 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 The only item that has been fully completed since Committee's last meeting in August is the unprogrammed audit investigation, which is covered elsewhere on the agenda.

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 view 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 all questionnaires show an average score above our target level of 4.

6 RECOMMENDATION

- 6.1 Progress to date with the 2012/13 audit plan is somewhat behind schedule – this is due to staffing issues, which have now been addressed, and the un-programmed audit investigation.

PRINCIPAL AUDITOR










DIRECTOR OF RESOURCES


AA14-12/MA/AC
14 November 2012

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow, extension 4540.

Annex 1

2012/13 Planned Days	Audit	Actual days to 31/10/12	Status as at 31/10/12
<i>Fundamental (Main) Systems</i>			
30	Main Accounting	18	
20	Creditors	19	
20	Sundry Debtors	0	Not started
40	Payroll and HR	4	Follow-up Review completed
45	Council Tax	18	
45	Housing Benefits	10	
30	NNDR	23	
20	Cash Receipting	0	Not started
250		92	
<i>Other Systems Work</i>			
20	VAT	2	
5	Stores	0	Not started
10	Treasury Management	4	
20	Procurement	5	Hazard Identification
55		11	
<i>Probity and Regularity</i>			
15	Asset Mgmt/Register	1	Hazard Identification
10	HR and Recruitment	2	
15	Insurance	12	
10	Licences	2	Hazard Identification
15	Business Continuity Mgmt	0	Not started
5	Car Parking	0	Not started
10	VIC/Platform Gallery	0	Not started
10	Trade Refuse	2	Hazard Identification
10	Recycling	0	Not started
20	Partnership Arrangements	2	Hazard Identification
10	Grants received	2	Hazard Identification
10	Grants paid	2	Hazard Identification
15	Sustainability	0	Not started
10	Section 106 Agreements	0	Not started
5	Members' Allowances	0	Not started
10	Ribblesdale Pool	1	Follow up
5	Clitheroe Market	0	Not started

2012/13 Planned Days	Audit	Actual days to 31/10/12	Status as at 31/10/12
10	Data Protection	0	Not started
5	Land Charges	3	✓
8	Cemetery	0	Not started
10	Building Regulations	0	Not started
10	Planning Applications	0	Not started
228		29	
<i>Continuous Activity/Ongoing Checks</i>			
10	Cash Collections Procedures	2	
8	Fees and Charges	3	∞
10	Income Monitoring	5	∞
28		10	
20	Contingencies	93	∞
20		93	
30	Risk Management	32	∞
20	Corporate Governance	14	∞
5	Performance Indicators	4	∞
55		50	
30	Insurance	18	∞
30		18	
0	Training	80	∞
0		80	
	Available audit days to 31/3/2013	283	
666		666	

Key:

✓ Completed

 In progress

∞ Continuous Activity

Annex 2

Question	Payroll System	Sundry Debtors System	Land Charges	Printing and Stationery	NNDR System
Sufficient notice given to arrange the visit (not applicable for unannounced visits)	5	5	4	4	5
A briefing sheet was sent prior to commencement of the audit and any comments/requests made were taken into account during the audit	5	5	4	4	5
The Auditors understanding of your systems and any operational issues	4	4	4	5	5
The audit was carried out efficiently with minimum disruption	4	4	5	5	5
The level of consultation during the audit	5	5	5	5	4
The audit was carried out professionally and objectively	5	5	5	5	5
The draft report addressed the key issues and was soundly based	4	5	4	5	4
Your opportunity to comment on the findings	5	5	4	4	5
The final report in terms of its clarity and conciseness	4	4	5	4	5
The prompt issue of the final report	4	4	5	4	5
The recommendations in the final report will improve control and/or performance	4	4	3	5	4
The audit was constructive and added value overall	4	4	4	5	4
Average	4.4	4.5	4.3	4.6	4.7

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

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS & AUDIT COMMITTEE

Agenda Item No. 8

meeting date: 28 NOVEMBER 2012
 title: RISK MANAGEMENT – UPDATE ON RED RISKS
 submitted by: DIRECTOR OF RESOURCES
 principal author: AMY JOHNSON

1 PURPOSE

- 1.1 To provide members with an update on the current areas of high risk for the Council as identified on the risk register.
- 1.2 Relevance to the Council's ambitions and priorities:
- Community Objectives – none identified.
 - Corporate Priorities – to be a well managed Council.
 - Other Considerations – none identified.

2 BACKGROUND

- 2.1 The Council's risk management approach is designed to form an integral part of the performance management approach of the Council.
- 2.2 Risks are scored based on their gross and net likelihood and impact levels, gross being the likelihood and impact level if no controls were in place and net being the risk level once controls have been considered. Risks are then allocated an overall risk score based on these levels. The scores are assigned using the matrix as shown below:

I M P A C T	HIGH	Amber 6	Red 8	Red 9
	MEDIUM	Green 3	Amber 5	Red 7
	LOW	Green 1	Green 2	Amber 4
		LOW	MEDIUM	HIGH
LIKELIHOOD				

3 ISSUES

- 3.1 It was previously resolved that any red risks that are current should be reported to this committee, together with information from the risk register.
- 3.2 At the time of reporting to committee there is one red risk on the Council's risk register – this is the same risk as reported to committee at their previous meetings on 27 June and 22 August 2012, relating to the delivery of the Council's paper and cardboard waste to LCC's PFI Facility. The risk level of Red 7 remains unchanged.

- 3.3 Officers are still in discussion with LCC to try and mitigate the situation.
- 3.4 LCC are paying recycling credits at the reduced 2011/12 rate.
- 4 CONCLUSION
 - 4.1 The Council currently has one red risk on its risk register. Regular monitoring of this risk will continue.
 - 4.2 The Council is in communication with LCC in an attempt to resolve the issue.
 - 4.3 Recycling credits at the reduced 2011/12 rate are being received.

AMY JOHNSON
SENIOR AUDITOR

JANE PEARSON
DIRECTOR OF RESOURCES

AA23-12/AJ/AC
19 November 2012

BACKGROUND PAPERS
None

For further information please ask for Amy Johnson, extension 4443.