



GREAT YARMOUTH
BOROUGH COUNCIL

Audit and Risk

Date: Tuesday, 29 March 2016

Time: 18:30

Venue: Supper Room

Address: Town Hall, Hall Plain, Great Yarmouth, NR30 2QF

AGENDA

Open to Public and Press

1 DECLARATIONS OF INTEREST

You have a Disclosable Pecuniary Interest in a matter to be discussed if it relates to something on your Register of Interests form. You must declare the interest and leave the room while the matter is dealt with.

You have a Personal Interest in a matter to be discussed if it affects

- your well being or financial position
- that of your family or close friends
- that of a club or society in which you have a management role
- that of another public body of which you are a member to a greater extent than others in your ward.

You must declare a personal interest but can speak and vote on the matter.

Whenever you declare an interest you must say why the interest arises, so that it can be included in the minutes.

2 APOLOGIES FOR ABSENCE

To receive any apologies for absence.

- 3 MINUTES 3 - 7**
- To confirm the minutes of the meeting held on 2 February 2016.
- 4 MATTERS ARISING**
- To consider any matters arising from the above minutes.
- 5 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY 25 8 - 37**
NOVEMBER 2015 TO 21 MARCH 2016
- The Committee to consider the report from the Internal Audit Consortium Manager.
- 6 GYBC AUDIT PLAN YEAR ENDING 31 MARCH 2016 38 - 54**
- The Committee to consider the report from EY.
- 7 ANY OTHER BUSINESS**
- To consider any other business as may be determined by the Chairman of the meeting as being of sufficient urgency to warrant consideration.
- 8 EXCLUSION OF PUBLIC**
- In the event of the Committee wishing to exclude the public from the meeting, the following resolution will be moved:-
- "That under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 1 of Part I of Schedule 12(A) of the said Act."

Audit and Risk

Minutes

Tuesday, 02 February 2016 at 18:30

PRESENT :

Councillor Grey (in the Chair); Councillors Grant, Jeal, Walker and Williamson.

Ms K Sly (Section 151 Officer) and Mrs S Wintle (Members Services Officer)

Ms E Hodds (Internal Audit Consortium Manager)

Mrs T Myer and Mrs L Snow (Ernst & Young LLP)

1 DECLARATIONS OF INTEREST

It was reported that there were no Declarations of Interest declared at the meeting.

2 APOLOGIES FOR ABSENCE

It was noted that there had been no apologies for absence received.

3 MINUTES

The Minutes of the meeting held on 7 December 2015 were confirmed.

4 INTERNAL AUDIT RECOMMENDATIONS

The Committee received and considered the comprehensive report from the Internal Audit Consortium Manager.

The Internal Audit Consortium Manager reported that her report reflected the progress made in relation to management implementation of agreed audit recommendations falling due between the 1 October and 31 December 2015.

The Internal Audit Consortium Manager reported that as at the 31 December 2015 there were a total of 37 recommendations outstanding; 19 of which had previously been reported to the Committee. In addition it was reported that there were 43 that were currently work in progress but that are not yet due for implementation and in addition 13 audits were still to be completed which related to the 2015/16 financial year.

It was noted that progress had been made by the 31 December 2015 with 39 other recommendations being closed.

A Member raised concern in regard to Services completing their audit recommendations and asked whether these could be implemented as part of Management Performance Measures, the Director of Housing and Neighbourhoods confirmed that Group Managers had Audit Recommendations within their reviews.

A Member asked in relation to progress with the recommendations set for the Markets, and was advised that there was ongoing work in progress being led by the Transformation Programme Manager.

RESOLVED :

That the Committee receives and notes the current position in relation to the completion of agreed audit recommendations.

5 STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS

The Committee received and considered the comprehensive report from the Internal Audit Consortium Manager.

The report provided a high level overview of the stages followed prior to the formulation of the Strategic Internal audit Plan for 2016/17 to 2018/19 and the Internal Audit Plan for 2016/17.

A Member asked in relation to the Contract Audit which Leisure provider was being used and was advised that this was Sentinel Leisure Trust.

Members requested that the IT contract held with Norfolk County Council be reviewed in 2016/17. The Internal Audit Consortium Manager agreed to allocate part of the 30 days set aside for IT to cover this request.

RESOLVED :

(i) That the Committee notes and approves the following :

- The Internal Audit Charter for 2016/17
- The Internal Audit Strategy for 2016/17
- The Strategic Internal Audit Plan 2016/17 to 2018/19
- The Annual Internal Audit Plan 2016/17.

(ii) That the Committee notes the performance measures for the Internal Audit Contractor.

(iii) That an amendment be made to the Strategic and Annual Internal Audit Plans to include a review of the IT Contract held with Norfolk County Council, as part of the 30 day audit allowance for IT.

6 WHISTLEBLOWING, ANTI FRAUD, ANTI MONEY LAUNDERING, CORRUPTION AND BRIBERY POLICIES

The Committee received and considered the revised Whistleblowing Policy, Anti

Fraud, Corruption, Bribery Policy and Anti-Money Laundering Policy report from the Internal Audit Consortium Manager.

RESOLVED :

That the Audit and Risk Committee note the changes to the Whistleblowing Policy, Anti Fraud, Corruption, Bribery Policy and Anti-Money Laundering Policy and endorse the sending of the above Policies to Council.

7 RISK MANAGEMENT FRAMEWORK

The Committee received and considered the comprehensive report from the Corporate Risk Officer.

The Internal Audit Consortium Manager reported that the report had been endorsed by the Executive Management Team.

RESOLVED :

That the Committee approve the revised Risk Management Framework.

8 CODE OF CORPORATE GOVERNANCE

The Committee received and considered the comprehensive report from the Interim Head of Finance.

The Internal Audit Consortium Manager reported that David Johnson (nplaw) had made a recommendation that the following be added to the Code of Corporate Governance Report :-

1.4 To delegate to the Chief Executive Officer the power to make such changes to the Code of Corporate Governance as are necessitated by the Council's change to a Committee System from May 2016.

A Member asked in relation to the need for a Standards Committee. The Committee agreed that a letter should be sent to the Chief Executive Officer to ask if it is legally necessary to have a Standards Committee.

RESOLVED :

That the Committee approve the updated Code of Corporate Governance and that the recommendation above from David Johnson (nplaw) be included.

That a letter be sent to the Chief Executive Officer as outlined above.

9 CORPORATE RISK REGISTER

The Committee reviewed and considered the comprehensive report from the Corporate Risk Officer.

The Internal Audit Consortium Manager reported that the Corporate Risk Register had been reviewed by the Executive Management Team.

It was reported that there were 15 risks that were not within the risk appetite, although

action plans had been put in place to reduce the current scores.

RESOLVED :

That the Audit and Risk Committee reviewed and considered the Corporate Risk Register to determine whether the register correctly reflected the risks affecting the Authority.

10 EXTERNAL AUDIT RECOMMENDATIONS

The Committee received and noted the comprehensive report from the Corporate Risk Officer.

The Section 151 Officer reported that her report reflected the latest progress made in relation to management implementation of external audit recommendation with an implementation date of 30 December 2015 or before.

Concern was raised in regard to the requirements from Norfolk County Council for IT improvements , it was noted that a recommendation had been agreed to review this as part of the Internal Audit Plan 2016/17.

Members raised concern with regard to the capacity of the Finance department, the Section 151 Officer reported that there was currently one vacant post within the section. A Member asked for assurance regarding the capacity of the Finance team, the Chairman asked the Section 151 Officer for a report in regard to assurance and capacity of work for the departments to include priorities and strategies that had been put in place to be brought to the next Committee meeting.

RESOLVED :

That the Committee received and noted the current position in relation the the completion of audit recommendations.

11 CONTRACT STANDING ORDERS

The Committee considered the Director of Housing and Neighbourhood's report which asked Members to note the significant changes to the Contract Standing Orders.

A Member asked in relation to the website link for Small Businesses, it was advised that it was not yet available on the GYBC website but would be imminently.

RESOLVED :

That the Committee noted the significant changes to the Contract Standing Order and endorsed the adoption of the revised content.

12 ANNUAL CERTIFICATION REPORT

The External Auditor summarised the results of the work carried out on GYBC's 2014/15 Housing Benefit Claims.

The External Auditor passed thanks on to the Benefits department for their co-operation throughout the audit.

13 ANNUAL AUDIT LETTER

The External Auditor reported on the Annual Audit Letter which pointed out key issues most significant to Great Yarmouth Borough Council. It was reported that there had been a delay in the sign off due to the capacity within the Finance Team.

The External Auditor reported on the two main challenges for the Council :-

- i) Highways Network Asset (Formerly transport Infrastructure Assets)
- ii) Earlier deadline for production and audit of the financial statements from 2017/18.

The External Auditor passed thanks to the Finance Team for their co-operation during the audit process.

14 ANY OTHER BUSINESS

The Chairman reported that there was no other business as being of sufficient urgency to warrant consideration.

The meeting ended at: 19:35

Subject: Progress Report on Internal Audit Activity, 25 November 2015 to 21 March 2016

Report to: Audit and Risk Committee, 29 March 2016

Report by: Internal Audit Consortium Manager

SUBJECT MATTER / RECOMMENDATIONS

This report examines progress made between 25 November 2015 and 21 March 2016 in relation to delivery of the Annual Internal Audit Plan for 2015/16, and includes abbreviated executive summaries in respect of four audit reviews which have been finalised during this period.

In addition the report includes two Position Statements and a summary of the Cross Authority Review of the Accounts Payable service.

It is recommended that the Committee:

- Receive and note the outcomes of those audits finalised during the period.

1. BACKGROUND

- 1.1 This report reflects the progress made with regard to assignments featuring in the approved Annual Internal Audit Plan for 2015/16 which was endorsed by the Audit and Risk Committee on 12 February 2015.

2. THE CURRENT COMPOSITION OF THE ANNUAL AUDIT PLAN

- 2.1 The current position in relation to the delivery of the Internal Audit Annual Plan 2015/16 is shown within the report.

3. CONCLUSION

- 3.1 Progress in relation to delivery of the Internal Audit Plan (revised) 2015/16 is in line with expectations.
- 3.2 During the period covered by this report four audits have been finalised, concluding in 21 recommendations being agreed with management; no priority one (urgent) nine priority two (important) and 12 priority three (needs attention). In addition two Position Statements have been finalised as has a Cross Authority Review.

FINANCIAL IMPLICATIONS:

None

LEGAL IMPLICATIONS:

None

EXECUTIVE BOARD OR DIRECTOR CONSULTATION:

None

RECOMMENDATIONS

It is recommended that the Committee:

- Receive and note the outcomes of those audits finalised during the period.

| | | |
|---|---------------------|------|
| Does this report raise any legal, financial, sustainability, equality, crime and disorder or human rights issues and, if so, have they been considered? | Issues | None |
| | Legal | None |
| | Financial | None |
| | Risk | None |
| | Sustainability | None |
| | Equality | None |
| | Crime and Disorder | None |
| | Human Rights | None |
| | Every Child Matters | None |

APPENDICES: Progress Report on Internal Audit Activity

Eastern Internal Audit Services



GT YARMOUTH BOROUGH COUNCIL

Progress Report on Internal Audit Activity

Period Covered: 25 November 2015 to 21 March 2016

Responsible Officer: Emma Hodds – Internal Audit Consortium Manager (IACM)

CONTENTS

| | |
|--|----|
| 1. INTRODUCTION..... | 2 |
| 2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN | 2 |
| 3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK | 2 |
| 4. THE OUTCOMES ARISING FROM OUR WORK | 2 |
| 5. PERFORMANCE MEASURES | 6 |
| APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK..... | 7 |
| APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES | 9 |
| APPENDIX 3 – PERFORMANCE MEASURES..... | 26 |
| APPENDIX 4 – CROSS AUTHORITY REVIEW SUMMARY..... | 27 |

1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive (known in this context as the Internal Audit Consortium Manager) to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes:-
- Any significant changes to the approved Audit Plan;
 - Progress made in delivering the agreed audits for the year;
 - Any significant outcomes arising from those audits; and
 - Performance Indicator outcomes to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 12 February 2015, the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. In September 2015 the Committee received a report in relation to the updates that had been made to the plan.
- 2.2 Since then it has been agreed to review the procurement of the Sentinel Leisure Trust in relation to GYBC financial and contract procedure rules and OJEU requirements; member approval and assessment of risks.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1** and progress to date is in line with expectations. .
- 3.2 In summary 218 days of programmed work has been completed, equating to 79% of the (revised) Internal Audit Plan for 2015/16.
- 3.3 The remaining work for the Internal Audit Plan 2015/16 is summarised as follows:
- The fieldwork / audit testing is underway for four audits, with work to be completed by 6 April 2016; Accountancy Services, Remittances, Key Controls & Assurance and IT Asset Management.
 - Three draft reports are due to be issued shortly; Performance Management, Accounts Receivable and Parking Services.
 - Two draft reports have been issued and are with management for comment; Risk Management and Sentinel Leisure Trust.

4. THE OUTCOMES ARISING FROM OUR WORK

- 4.1 On completion of each individual audit an assurance level is awarded using the definitions shown in the table below.

| | |
|-----------------------|---|
| Substantial Assurance | Based upon the issues identified there is a robust series of suitably designed internal controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our review were being |
|-----------------------|---|

| | |
|----------------------|---|
| | consistently applied. |
| Reasonable Assurance | Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation's management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks. |
| Limited Assurance | Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks. |
| No Assurance | Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks. |

- 4.2 Recommendations made on completion of audit work are prioritised using the definitions shown in the table below.

| | |
|-----------------|--|
| Urgent | Fundamental control issue on which action to implement should be taken within 1 month. |
| Important | Control issue on which action to implement should be taken within 3 months. |
| Needs Attention | Control issue on which action to implement should be taken within 6 months. |

- 4.3 In addition, on completion of audit work "Operational Effectiveness Matters" are proposed, In addition, on completion of audit work "Operational Effectiveness Matters" are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.
- 4.4 During the period covered by the report Internal Audit Services have issued four final reports and two position statements. The Executive Summary of these reports are attached at **Appendix 2**, full copies of these reports can be requested by Members from the Internal Audit Consortium Manager.
- 4.5 As a result of these audits 21 recommendations have been raised; no priority one (urgent) nine priority two (important) and 12 priority three (needs attention). All of these have been agreed by management. In addition three Operational Effectiveness Matters have been proposed to management for consideration.

4.6 In summary the four final reports issued conclude the following:

Corporate Governance – Data Protection and Freedom of Information

The scope of the Corporate Governance review for 2015/16 was to review the systems and controls in place within Data Protection Act (DPA) and Freedom of Information (FOI) to help confirm that these are operating adequately, effectively and efficiently. The audit concluded with a **reasonable** assurance, with one important and two needs attention recommendations agreed with management.

The important recommendation relates to re-introducing performance information/data, relating to FOI, DPA, EIR and complaints activities, into the corporate quarterly performance reports submitted to Executive Management Team and Scrutiny. Thus ensuring that performance in these areas can be adequately monitored.

It is worth noting that there are three outstanding recommendations from a previous review of this area which relate to; a regular review of policies that make up the IT security policy framework, a review of the data retention schedules, and periodic confirmation from department heads that they are complying with the Council's data retention schedules.

Council Tax and National Non-Domestic Rates

The scope of this review covered; valuation & billing records; billing; collection of income; suspense accounts; reconciliation to the general ledger; refunds & transfers; discounts, exemptions & reliefs; arrears recovery; and write offs. A **reasonable** assurance was awarded on conclusion of the audit, with five important and three needs attention recommendations agreed with management.

The five important recommendations relate to; (1) regular and consistent quality assurance work being undertaken by the team to ensure that issues are identified early on accounts & training can be agreed as necessary, (2) addressing performance in relation to making changes to accounts to ensure that accounts are correct & customers are billed accurately; (3) regular review of accounts in credit to ensure that the balance is transferred or refunded accordingly; (4) clear audit trails and retention of supporting information for empty properties are retained, thus ensuring that discounts remain valid; and (5) regular review of bailiff action, attachment of earnings and attachment of benefits to ensure that debt is recovered in a timely and efficient manner.

Housing Benefit and Council Tax Support

The scope of this review covered; procedures & legislation; receipt & assessment of applications; payments of Housing Benefits; overpayments, arrears & write offs; backdated claims; discretionary payments; appeals; and reconciliations. A **reasonable** assurance was awarded on conclusion of the audit, with one important and five needs attention (three of which have already been completed) recommendations agreed with management.

The important recommendation relates to; introducing training records for all staff which links to training needs that are identified as part of the quality assurance work, thus ensuring that gaps in knowledge are appropriately addressed and ensuring that sufficient training is provided in such a complex area.

Private Sector Housing – Disabled Facilities Grants and Discretionary Improvement Loans

The audit reviewed Disabled Facilities Grants (DFGs); Discretionary Improvement Loans provided through the Norfolk and Waveney Equity release scheme; and emergency loans

funded by the Council. The audit concluded with a **reasonable** assurance and two important and two needs attention recommendations were agreed with management.

The two important recommendations relate to; a local write off procedure being developed for the historic, outstanding unsecured loans where it has been concluded that it is very unlikely, if not impossible, to recover the loan amount, thus ensuring that focus is on those loans whereby it more likely to recover the amount; and agreeing arrangements between Private Sector & Housing Adaptions Team and the Local Land Charges Team to ensure that charges are correctly applied to on the register, thus ensuring that that grants and loans issued by the Council are secured and that these can be appropriately recovered at point of sale.

- 4.7 Position Statements have also been finalised in relation to Member Services and Business Continuity and Disaster Recovery. These are issued whereby it is important to review the current situation with a service and note action points for management to consider as part of the improvement journey.

Member Services

It is recognised that the Council has an intention of achieving Charter Mark status by December 2016 and required an independent view regarding the current situation and the requirements needed to obtain this status. The audit reviewed the adequacy, effectiveness and efficiency of the systems and controls in place over Member Services by undertaking a gap analysis against the requirements of the 'Charter Mark for Member Development'. This was undertaken by comparing the current processes in place against the Charter Mark criteria, and to provide suggestions to management to develop the processes, where applicable

Business Continuity / Disaster Recovery

Members are aware that the Council' is in the transitional stage in its work to align Business Continuity and Disaster Recovery management to accepted good practice. The objective of this audit was to determine the progress made by the Council with implementation of the refreshed Business Continuity and Disaster Recovery management system and to provide suggestions to management to enhance the process, where applicable.

- 4.8 It is pleasing to note that the audits concluded within this period resulted in a positive opinion being awarded, indicating strong and stable control environments for these services areas, with no issues that would need to be considered at year end and included in the Annual Governance Statement.
- 4.9 Finally, as part of the new contract with TIAA a Cross Authority review has been undertaken of the Accounts Payable services, the Council's involved in this review were; Breckland, North Norfolk & South Norfolk District Council's and Gt Yarmouth Borough Council.

The overall objective of the review was to identify where there are opportunities to generate savings in processing of transactions within the Accounts Payable function.

The review evaluates the arrangements at the Council in respect to Creditor Payments and those at three other Councils in the region to identify and share opportunities for good practice.

Key Points

- None of the Councils were significant outliers
- Opportunities identified for efficiencies in procurement
- All Councils made creditor payments within their target
- Variances existed in the analysis of payments made without a purchase order

6 points were raised on conclusion of the review:

1. The Council may wish to establish whether it has appropriate processes in place to minimize the risk of overpayments being made through Direct Debits.
2. The Council may wish to revisit its position regarding prompt payment discounts.
3. The Council may wish to communicate these performance indicators to demonstrate their commitment to the local community.
4. Whilst prompt payment of suppliers is required this should not be achieved at the expense of establishing why a purchase order was not raised.
5. The Councils may wish to consider putting in place a joint procurement process initially for stationary, printing and recruitment.
6. The Councils may wish to consider a joint analysis exercise on capital expenditure to identify any common suppliers, and potentially enter in to joint contracts.

Appendix 4 provides a summary of the results.

5. PERFORMANCE MEASURES

- 5.1 The new Internal Audit Services contract includes a suite of key performance measures against which the new contractor will be reviewed on a quarterly basis. There are a total of 13 indicators, over 4 areas. From the first year of the contract records will be maintained for all 13, however performance can only be recorded on 11 of these as base line data is required for the final 2. The performance measures can be seen at **Appendix 3**.
- 5.2 There are individual requirements for performance in relation to each measure; however performance will be assessed on an overall basis as follows (for the first year):
- 9-11 KPIs have met target = Green Status.
 - 5-8 KPIs have met target = Amber Status.
 - 4 or below have met target = Red Status.

Where performance is amber or red a Performance Improvement Plan will be developed by the contractor and agreed with the Internal Audit Consortium Manager to ensure that appropriate action is taken.

- 5.3 The first three quarters work has been completed and a report on the performance measures provided to the Internal Audit Consortium Manager, performance is currently at green status with targets having been satisfactorily met for this quarter.
- 5.4 In addition to these quarterly reports from the Contractors Audit Director, ongoing weekly updates are provided to ensure that delivery of the audit plan for the current financial year is on track. A review of the most recent update indicates that work will be completed as expected, with further detail provided at paragraph 3.3 of this report.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

| Audit Area | Audit Ref | No. of days | Revised Days | Days Delivered | Status | Assurance Level | Recommendations | | | | Date to Committee |
|--|-----------|-------------|--------------|----------------|--|-----------------|-----------------|-----------|-----------------|----|-------------------|
| | | | | | | | Urgent | Important | Needs Attention | Op | |
| Quarter 1 | | | | | | | | | | | |
| Homelessness and Housing Options | GY1601 | 10 | 10 | 10 | Final Report issued 5 August 2015 | Reasonable | 0 | 1 | 0 | 0 | 21 September 2015 |
| TOTAL | | 10 | 10 | 10 | | | | | | | |
| Quarter 2 | | | | | | | | | | | |
| Procurement | GY1603 | 12 | 12 | 12 | Final Report issued 27 November 2015 | Limited | 1 | 7 | 3 | 0 | 7 December 2015 |
| Planned and Responsive Maintenance and GY Norse contract | GY1605 | 18 | 22 | 22 | Final Report issued 20 November 2015 | Reasonable | 0 | 5 | 9 | 1 | 7 December 2015 |
| Neighbourhood Management / Community Development | GY1606 | 12 | 12 | 12 | Final Report issued 5 August 2015 | Limited | 2 | 3 | 8 | 1 | 21 September 2015 |
| Contract Management - GYB Services | GY1615 | 10 | 12 | 12 | Final Report issued 20 November 2015 | Reasonable | 0 | 5 | 6 | 4 | 7 December 2015 |
| Markets | GY1616 | 12 | 12 | 12 | Final Report issued 9 November 2015 | No assurance | 6 | 10 | 6 | 0 | 7 December 2015 |
| TOTAL | | 64 | 70 | 70 | | | | | | | |
| Quarter 3 | | | | | | | | | | | |
| Council Tax and National Non-Domestic Rates | GY1607 | 20 | 20 | 20 | Final Report issued 20 January 2016 | Reasonable | 0 | 5 | 3 | 2 | 29 March 2016 |
| Housing Benefits and Council Tax Support | GY1608 | 20 | 20 | 20 | Final Report issued 27 January 2016 | Reasonable | 0 | 1 | 5 | 1 | 29 March 2016 |
| Private Sector Housing - DFGs and discretionary improvement grants | GY1610 | 10 | 10 | 10 | Final Report issued 29 January 2016 | Reasonable | 0 | 2 | 2 | 0 | 29 March 2016 |
| TOTAL | | 50 | 50 | 50 | | | | | | | |
| Quarter 4 | | | | | | | | | | | |
| Corporate Governance and Risk Management | GY1602 | 8 | 8 | 7 | RM Draft Report issued CG Final Report issued 18 March 2016 | Reasonable | 0 | 1 | 2 | 0 | 29 March 2016 |
| Member Services, Training, Allowances & Expenses | GY1604 | 8 | 8 | 8 | Final Position Statement issued 24 February 2016 | | | | | | 29 March 2016 |

| Audit Area | Audit Ref | No. of days | Revised Days | Days Delivered | Status | Assurance Level | Recommendations | | | | Date to Committee |
|--|-----------|-------------|--------------|----------------|---|-----------------|-----------------|-----------|-----------|-----------|-------------------|
| Performance Management, Corporate Policy and Business Planning | GY1609 | 10 | 14 | 13 | Draft Report imminent | | | | | | |
| Key Controls and Assurance | GY1611 | 11 | 11 | 6 | Fieldwork underway | | | | | | |
| Accountancy Services | GY1612 | 17 | 17 | 4 | Fieldwork underway | | | | | | |
| Accounts Receivable | GY1613 | 10 | 10 | 9 | Draft Report imminent | | | | | | |
| Remittances | GY1614 | 8 | 8 | 6 | Fieldwork underway | | | | | | |
| Parking Services | GY1617 | 16 | 16 | 15 | Draft Report imminent | | | | | | |
| TOTAL | | 88 | 92 | 68 | | | | | | | |
| IT Audits | | | | | | | | | | | |
| Starters, Leavers and Joiners | GY1618 | 0 | 6 | 6 | Final Report issued 14 August 2015 | Reasonable | 0 | 5 | 2 | 1 | 21 September 2015 |
| Change Control and Patch Management | GY1619 | 0 | 6 | 6 | Final Report issued 13 November 2015 | Limited | 1 | 3 | 0 | 0 | 7 December 2015 |
| Network Security and Infrastructure | GY1620 | 0 | 10 | 10 | Final Report issued 20 November 2015 | Reasonable | 0 | 2 | 9 | 2 | 7 December 2015 |
| Business Continuity Planning / Disaster Recovery | GY1621 | 0 | 4 | 4 | Final Position Statement issued 21 March 2016 | | | | | | 29 March 2016 |
| IT Asset Management | GY1622 | 0 | 4 | 2 | Fieldwork underway | | | | | | |
| TOTAL | | 0 | 30 | 28 | | | | | | | |
| Follow Up | | | | | | | | | | | |
| Follow Up | GY NA | 14 | 14 | 10 | | | | | | | |
| Other work | | | | | | | | | | | |
| Contingency | GY TBC | 10 | 0 | 0 | | | | | | | |
| Sentinel Leisure Trust | GY1624 | 0 | 10 | 10 | Draft Report issued | | | | | | |
| TOTAL | | 24 | 24 | 20 | | | | | | | |
| | | | | | | | | | | | |
| TOTAL | | 236 | 276 | 218 | | | 10 | 50 | 55 | 12 | |
| | | | | | | | | | | | |
| Percentage of plan completed | | | | 79% | | | | | | | |
| | | | | | | | | | | | |

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of DPA and FOI

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

| | Urgent | Important | Needs Attention | Operational |
|-------------|--------|-----------|-----------------|-------------|
| DPA and FOI | 0 | 1 | 2 | 0 |

SCOPE

The objective of the audit was to review the systems and controls in place within Data Protection Act (DPA) and Freedom of Information (FOI) to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'reasonable level' in managing the risks associated with the DPA and FOI Audit. The assurance opinion has been derived as a result of one 'important' recommendation and two 'needs attention' recommendations being raised upon the conclusion of our work.

KEY FINDINGS

Positive Findings

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Training is undertaken on a regular basis so that key officers and members are aware of their responsibilities in respect of the FOI and Data Protection Act.
- Responsibilities for data protection are clearly documented and assigned, in accordance with Council policies, with an appointed Data Protection Officer.
- The Council's registration with the Information Commissioner is up to date.
- The Council's Publication scheme was recently reviewed in November 2015 and is available on the Council's website.

Issues to be addressed

The audit has highlighted the following areas whereby controls would benefit from being strengthened, and as a result of these findings one 'important' recommendation has been made.

- Performance information containing FOI, DPA, and the Environment Information Regulations (EIR) data should be re-introduced into the corporate quarterly performance reports submitted to Executive Management Team (EMT) and Scrutiny. This will assist in the identification and mitigation of any poor performance and appropriate action can then be taken if necessary.

The audit has also highlighted the following areas where two 'needs attention' recommendations have been made.

- Associated policies relating to FOI, DPA and complaints need to be reviewed and updated as appropriate. Policies that have already been reviewed but not updated to this effect, such as for version control details, need amending to reflect this. This mitigates the risk that policies are incorrect and out of date.
- The Council's website needs to be updated to include the Council's FOI policy and FOI charging policy. This should minimise invalid requests being made and save member and officer time in responding to these.

Previous audit recommendations

The audit reviewed the previous internal audit recommendations, of which three remain outstanding. These were discussed with management and revised deadline dates agreed. The outstanding recommendations relate to a regular review of policies that make up the IT security policy framework, review of the data retention schedules, and periodic confirmation from department heads that they are complying with the Council's data retention schedules.

Assurance Review of Council Tax and National Non Domestic Rates (NNDR)

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

| Control Area | Urgent | Important | Needs Attention | Operational |
|-----------------------------------|--------|-----------|-----------------|-------------|
| Valuation and Billing Records | 0 | 1 | 1 | 0 |
| Billing | 0 | 1 | 0 | 0 |
| Collection of Income | 0 | 1 | 0 | 0 |
| Discounts, Exemptions and Reliefs | 0 | 1 | 1 | 0 |
| Arrears Recovery | 0 | 1 | 0 | 1 |
| Write Offs | 0 | 0 | 1 | 1 |
| Total | 0 | 5 | 3 | 2 |

No recommendations were raised in the areas of suspense accounts, reconciliation to the general ledger, refunds and transfers.

SCOPE

The objective of the audit was to review the systems and controls in place within Council Tax and NNDR, as detailed in the action points above, to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Level' in managing the risks associated with the Audit. The assurance opinion has been derived as a result of five 'important' recommendations and three needs attention' being raised upon the conclusion of our work.
- The audit has also raised two 'operational effectiveness matter(s)', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

KEY FINDINGS

Positive Findings

It is acknowledged there are areas where sound controls are in place and operating consistently:

- A review of reconciliations between Council Tax and NNDR records and Valuation Office records confirmed that these are being undertaken on a weekly basis and in a timely manner.
- System access rights are reviewed on a monthly basis by the Revenues System Team to take account of starters, role variations and leavers. The 2015/16 parameters were updated on the system in a timely manner and signed off.
- Council Tax payers are made aware of the various payment options through the Council's website and on the back of bills and reminders.
- Income is posted to the Council Tax and NNDR system on a daily basis and reconciled to the income collected.
- The total sample of unpaid direct debits reviewed were all updated on the accounts in a timely manner and appropriate action was undertaken.
- Council Tax and NNDR collection rates, set against targets, are reported to EMT on a quarterly basis.
- The items within the suspense accounts are posted to the relevant accounts in a timely manner.
- The refund batches are recorded and authorised correctly and in a timely manner.

Issues to be addressed

The audit has highlighted the following areas where five 'important' recommendations have been made.

Valuation and Billing

- Consistent and regular quality checking is required to ensure that that charges are being accurately and appropriately recorded within the system. Where issues are identified, training or other relevant action can then be taken.

Billing

- Performance in relation to the average number of days to complete changes to Council Tax accounts needs to be addressed and ways of improving this identified. This will ensure that accounts are brought up to date as a result of any changes in a timely manner, and will ensure that accounts are accurate, customers are billed correctly and complaints are reduced.

Collection of Income

- Credit balances should be regularly reviewed as part of the annual billing process, to mitigate the risk that credit balances remain on accounts for longer than necessary, whereas they could be transferred or refunded.

Discounts, Exemptions and Reliefs

- Reports used by the Visiting Officer to review empty properties, unoccupied caravan pitches and properties undergoing major work need to be centrally located and evidence of the visits needs to be retained, thus ensuring a clear audit trail of inspections and ensuring that discounts, exemptions and reliefs remain valid.

Arrears Recovery

- Bailiff monitoring, review of attachment of earnings and review of attachment of benefits needs to be undertaken regularly, to mitigate the risk that debts are not recovered in a timely manner leading to debts becoming irrecoverable and delaying cash flow.

The audit has also highlighted the following areas where three 'needs attention' recommendations have been made.

Valuation and Billing

- The Council Tax and NNDR procedures are currently being reviewed by the Team, but as it is unclear when this review will be completed, a completion date needs to be agreed. This will ensure that the review of the procedures is finalised and that they are all up to date.

Discounts Exemptions and Reliefs

- The Non Domestic Rate Relief (NDRR) policy needs to be version controlled and signed and dated by the Group Manager – Customer Services to confirm this has been appropriately approved. In addition, rural rate relief needs to be included within the rate relief policies. This should mitigate the risk that the policies may not be up to date and incorrect versions are put into practice.

Write-offs

- The Council Tax and NNDR Recovery Policy requires updating to ensure that write-offs are approved correctly and are done so as per the requirements of the Constitution.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider, relate to applying sufficient diary notes to accounts to explain delay in recovery action and, maintaining supporting documentation for write-ons.

Review of Housing Benefit and Council Tax Support

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

| Control Area | Urgent | Important | Needs Attention | Operational |
|--------------------------------------|--------|-----------|-----------------|-------------|
| Assessment of Applications | 0 | 1 | 1 | 0 |
| Payments of Housing Benefits | 0 | 0 | 0 | 0 |
| Overpayments, Arrears and Write Offs | 0 | 0 | 2 | 0 |
| Backdated Claims | 0 | 0 | 2 | 0 |
| Reconciliations | 0 | 0 | 0 | 1 |
| Total | 0 | 1 | 5 | 1 |

No recommendations were raised in the following areas: procedures and legislation, receipt of applications, discretionary payments and appeals.

SCOPE

The objective of the audit was to review the systems and controls in place within Housing Benefits and Council Tax Support, as detailed in the action points above, to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the Audit. The assurance opinion has been derived as a result of one 'important' recommendation and five 'needs attention' recommendations being raised upon the conclusion of the work.
- The audit has also raised one 'operational effectiveness matter(s)', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

KEY FINDINGS

Positive Findings

It was found that the Council has demonstrated the following points of good practice, as identified in this review and details of these operational provisions will be shared with other member authorities in the Consortium:

- The Council offers new applicants a fast track processing time. The fast track service is offered to the applicant, with all supporting documents, at the time of submitting the application. This is deemed as good practice which does not adversely affect the processing of other applications.

It is acknowledged there are areas where sound controls are in place and operating consistently:

- The Team make use of the 'CPAG's Housing Benefit and Council Tax Benefit Legislation'; and the Guide to Housing Benefit' by Lister and Ward 2014-2017. In conjunction with these guides, there are several other in-house procedures accessible to all team members. The team also make use of Synergy, an online resource for all local authorities where Great Yarmouth Borough Council has its own section for procedures to be added. Synergy is also used for training purposes.
- System access rights of the Revenues and Benefits Team are reviewed on a monthly basis by the Revenues System Team, to check for starters and leavers and changes in access rights to ensure they are up to date and correct.
- Testing verified that the 2015/16 annual uplift had been applied as per the appropriate Housing Benefit circular. The Revenues Systems Team also ensures that the system is updated with system releases and patches and relevant changes such as the government minimum wage increase.
- System based controls ensure that provide accurate and valid calculation of benefits.
- Postal information is securely received, scanned onto the system and valuable items securely returned, with access to the post room only granted to the relevant staff working there.
- Sample testing confirmed that all claimant details, whether new claims or changes, were input correctly onto the Civica system.
- Local Housing Allowance (LHA) rates were updated on the benefits system in a timely and accurate manner.
- Sample testing confirmed that payments over the upper threshold (£1k) were all subject to independent review to ensure accuracy of the payment.
- Sample testing confirmed that rejected BACS payments were reviewed and updated in the benefits system in a timely manner.

- Reports are produced by the Sundry Debtors Team on a weekly basis for outstanding arrears balances which show the arrears stage and which are subject to independent review.
- Sample testing confirmed that for write-offs there is segregation of duties between the requesting officer and the approving officers. Sample testing confirmed that for discretionary applications valid applications were received with relevant supporting evidence for the discretionary payments to be made.
- The benefits system is reconciled to the Council Tax and general ledger systems on a monthly basis.

Issues to be addressed

The audit has highlighted the following areas whereby controls would benefit from being strengthened, and as a result of these findings one 'important' recommendation has been made.

Assessment of Applications

- Training records be commenced for all staff members which include a defined link between training needs identified from the quality checking process thus enabling staff to be trained to a sufficient level and the identification of any training gaps.

The audit has also highlighted the following areas where five 'needs attention' recommendations have been made.

Assessment of Applications

- The results of quality checks to be recorded on the Test Check form and as a diary entry to ensure an appropriate audit trail is in place and that appropriate action is taken to rectify any errors should they occur, thus ensuring the claim is correct.

Overpayment, arrears and write offs

- Errors found in classification form the sample reviewed to be rectified by the Team Leader, thus ensuring accurate classification and mitigating the risk of an incorrect subsidy claim
- To update the Write off Procedure for Housing Benefit Overpayments with correct officer job titles. This should include a review of the procedure to ascertain if any other parts need updating. Currently, the procedure contains historical job titles and is not version controlled to indicate when it was produced/last updated. Adequate version control should provide a clear audit trail so that documents can be used in the right context and mitigate the risk that out of date or incomplete documents are used.

Backdated Claims

- The information on the memo for backdated claims, including the decisions taken by assessors, to be completed in full. This will ensure there is appropriate evidence to justify the award of the backdate.
- To review the quality control system (QCS), in relation to the overpayment and backdated claim errors identified within this audit, to ascertain if these errors could have been detected and rectified at an earlier stage, ie.at the time the errors were made. This review should include whether the QCS can be updated to improve efficiency and effectiveness of quality checking. This would help mitigate similar errors in the future from occurring.

Operational Effectiveness Matters

The operational effectiveness matter, for management to consider, relates to authorised documents having the full name of the officer printed next to the actual signature, to ensure the officer checking and/or authorising can be identified and ensure the appropriate officer is undertaking this task.

Assurance Review of Private Sector Housing - DFGs and Discretionary Improvement Loans

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

| Control Area | Urgent | Important | Needs Attention | Operational |
|---------------------------------|----------|-----------|-----------------|-------------|
| DFG | 0 | 1 | 2 | 0 |
| Discretionary Improvement Loans | 0 | 1 | 0 | 0 |
| Emergency Loans | 0 | 0 | 0 | 0 |
| Total | 0 | 2 | 2 | 0 |

SCOPE

The objective of the audit was to review the systems and controls in place within Private Sector Housing, in particular, Disability Facilities Grants (DFGs) and Discretionary Improvement Loans and Emergency Loans, to help confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with Disabled Facilities Grant (DFGs) and Discretionary Improvement Loans. The assurance opinion has been derived as a result of two 'important' recommendation and two 'needs attention' recommendations being raised upon the conclusion of our work.

KEY FINDINGS

Positive Findings

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Grants/loans are awarded in accordance with relevant government legislation and local policies.
- Grants/loans are only awarded to eligible applicants in line with set criteria.
- Grants/loans are promptly processed and claimants notified of the outcome on a timely basis.
- Grants/loans are correctly calculated and approved by an authorised signatory.
- Council funded emergency loans are effectively controlled.
- The Council has evaluated the local need for grants/loans.
- For more complex work and as a result of the contractor procurement review, works will go out to tender to all seven approved contractors to demonstrate value for money considerations.

Issues to be addressed

The audit has highlighted the following areas where two 'important' recommendations have been made.

DFGs and Emergency Loans

- To produce a formal write off procedure for irrecoverable historic, outstanding unsecured loans, thereby reducing the risk of those loans appearing in the Council's accounts which could otherwise be cleared.
- Confirmation is obtained by the Private Sector Housing and Adaptations Team that requested local land charges are attached to properties. If local land charges are not attached to the properties, there is a risk that loan and grant amounts cannot be reclaimed through land charges, leading to financial loss for the Council. Obtaining confirmation from the Land Charges team would provide the Private Sector Housing Team with assurance that the charge had been applied.

The audit has highlighted has also highlighted the following areas where two 'needs attention' recommendations have been made.

DFGs, Discretionary Improvement Loans and Emergency Loans

- Updating the Council's website to include reference to the Private Sector Housing Adaptation and Improvement Policy. Where this policy is not published, there is a risk of the public not being aware of the availability of the grants and loans provided or the application process. This could lead to the Council either being unable to fill quotas or leading to grants and loan procedures and conditions not being complied with.
- The Council retains documented agreements from applicants in relation to DFG conditions. Where DFG conditions are not agreed with applicants, there is a risk that disputes will arise over grant and loan applications, leading to financial and reputational loss for the Council.

Position Statement – Members

Executive Summary

INTRODUCTION

1. This review was carried out in January 2015 as part of the planned internal audit work for 2015/16. As agreed with the Internal Audit Consortium Manager and Transformation Programme Manager, the outcomes of the review are being reported through a 'Position Statement' as opposed to a formal audit report. This is due to the Council's intention of achieving Charter Mark status by December 2016 and requiring an independent view regarding the current situation and the requirements needed to obtain this status. As such, no formal assurance opinion is stated and no recommendations have been raised, although several suggested actions/improvements have been stated. The previous report on Members (GY/12/05) was issued in September 2011. The report provided a Good assurance, with one medium and one low recommendation, both of which have now been completed.

SCOPE

2. The objective of the audit is to review the adequacy, effectiveness and efficiency of the systems and controls in place over Members by undertaking a gap analysis against the requirements of the 'Charter Mark for Member Development'. This was undertaken by comparing the current processes in places against the Charter Mark criteria, and to provide suggestions to management to develop the processes, where applicable.

MATERIALITY

3. Members are a vital element of the Corporate Governance structure at Gt Yarmouth Borough Council (GYBC) with the development of members' capacity and capability being a core principle of the Code of Corporate Governance.

KEY FINDINGS

4. The review considered the evidence in place to verify current processes alongside observations and discussions held with the Transformation Programme Manager and Deputy Monitoring Officer. This information was compared with key documentation obtained from a District Council who has achieved the status of Charter Mark Plus.

REMAINING PLANNED WORK

5. The Transformation Programme Manager has confirmed an objective has been set to achieve the Charter Mark status by the end of 2016. As part of this, they will be liaising with a District Council who has obtained the status of Charter Mark Plus.

AUDIT OBSERVATIONS

6. The objective of the audit was to review the adequacy, effectiveness and efficiency of the systems and controls in place over Members by undertaking a gap analysis against the requirements of the 'Charter Mark for Member Development'.

The Charter Mark elements have four criterion:

1. There is a clear commitment to councillor development;
2. The council has a strategic approach to councillor development;
3. Learning and development is effective in building capacity; and
4. The council's processes support councillors in their role as leaders of their local communities.

The audit has concluded with a number of suggested action / improvements presented to management for consideration. These will help management to work towards achieving the desired Charter Mark status by the end of 2016.

Key suggested action / improvements include:

- Member Development Strategy;
- Member leads for member development;
- Develop member mentoring scheme;
- Produce a member development programme;
- Improvements to members induction programme and members handbook;
- Investigate regional and national learning networks;
- Update member role descriptions; and
- Provide the opportunity for councillors to provide feedback of learning and development received.

Position Statement – Business Continuity & Disaster Recovery

Executive Summary

INTRODUCTION

1. This review was carried out in February 2016 as part of the planned internal audit work for 2015/16. As agreed with the Internal Audit Consortium Manager; subsequent to issue of the Audit Planning Memorandum (APM), the outcomes of the review are being reported through a 'Position Statement' as opposed to a formal audit report. This is due to the Council's transitional stage in its work to align Business Continuity and Disaster Recovery management to accepted good practice. As such, no formal assurance opinion is stated and no recommendations have been raised, although in some areas, suggested actions/improvements have been included. The previous report on Business Continuity (BRK/13/15) was issued in April 2013. The report provided a Limited assurance, with ten recommendations being raised.

SCOPE

2. The objective of this audit was to determine the progress made by the Council with implementation of the refreshed Business Continuity and Disaster Recovery management system and to provide suggestions to management to enhance the process, where applicable.

MATERIALITY

3. Robust Business Continuity and Disaster Recovery Management is critical to ensuring seamless provision of priority Council services to the local community, following an incident.

KEY FINDINGS

4. The review considered the observations and suggested actions and improvements to be made from analysis of the systems and controls in place as well as those to be due to be implemented within the remaining planned work.

REMAINING PLANNED WORK

5. A review of the Council's Business Continuity & Disaster Recovery management system has commenced and is progressing well and ahead of forecasts set out in the management action plan of September 2015. Plan tests in conjunction with Disaster Recovery testing and a staff training programme remain outstanding as per the action plan of September 2015.

AUDIT OBSERVATIONS

6. The objective of the audit is to review the systems and controls in place to help confirm that these are operating adequately, effectively and efficiently. The audit covered:
 - A review of the current status of the work to develop an appropriate Business Continuity Management System; and
 - A review of the current status of Disaster Recovery.

The audit has concluded with a number of suggested action / improvements presented to management for consideration. These will help management to work towards full implementation of the Business Continuity Management System and to move forward on Disaster Recovery.

Key suggested action / improvements include:

- The plan templates to be updated to include reference to relevant hard copy procedure notes, forms and stationery requirements as they apply to each area in the absence of relevant IT systems.
- Relevant operational staff training around Business Continuity be drafted and implemented.
- Draft and agree an appropriate Business Continuity test plan and that these are formally documented in formal test reports after every test.
- Lessons learnt set out in test reports are incorporated into relevant Business Continuity Management documentation.
- Now that there is a Corporate Business Continuity plan, which documents the Council's key business priorities, discussions with Norfolk County Council should restart. The priority list should be used in the discussions to develop an appropriate Disaster Recovery plan that supports the priorities adequately. The plan is to include appropriate testing.

APPENDIX 3 – PERFORMANCE MEASURES

| Area / Indicator | Target |
|---|---|
| <u>Audit Committee / Senior Management</u> | |
| 1. Audit Committee Satisfaction – measured annually | Adequate |
| 2. Chief Finance Officer Satisfaction – measured quarterly | Good |
| <u>Internal Audit Process</u> | |
| 3. Each quarters audits completed to draft report within 10 working days of the end of the quarter | 100% |
| 4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter | 100% |
| 5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager) | 100% |
| 6. Compliance with Public Sector Internal Audit Standards | Full |
| 7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received. | 100% |
| <u>Clients</u> | |
| 8. Average feedback score received from key clients (auditees) | Adequate |
| 9. Percentage of recommendations accepted by management | 90% |
| <u>Innovations and Capabilities</u> | |
| 10. Percentage of qualified (including experienced) staff working on the contract each quarter | 60% |
| 11. Number of training hours per member of staff completed per quarter | 1 day |
| 12. Number of high and medium priority recommendations made per quarter | To decrease over the life of the contract (from year 2) |
| 13. Number of audits which are considered to add value | To increase over the life of the contact (from year 2) |

APPENDIX 4 – CROSS AUTHORITY REVIEW SUMMARY

| Analysis of the number of payments made by banding | | | | | |
|--|----------|---------------|---------------|----------------|-----------|
| Number of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| 0 - 9 | 3% | 4% | 3% | 3% | 3% |
| 10 - 999 | 73% | 77% | 74% | 76% | 65% |
| 1000 - 9999 | 21% | 16% | 21% | 19% | 28% |
| 10000 + | 3% | 2% | 3% | 2% | 4% |

*Data does not include payments to Councils/Gov't/HMRC/refunds

| Analysis of the number of payments made by type | | | | | |
|---|----------|---------------|---------------|----------------|-----------|
| Type of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| BACS | 89% | 87% | 91% | 84% | 92% |
| Cheques | 7% | 12% | 0.31% | 10% | 7% |
| DD | 5% | | 8% | 6% | 1% |
| Bank Transfer | 0.1% | 0% | 0.0% | 0.0% | 0.3% |
| Other | 0.2% | 1% | 0% | 0% | 0% |

| Analysis of the number of payments made for utility bills | | | | | |
|---|----------|---------------|---------------|----------------|-----------|
| Number of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| Utilities Total | 521 | 858 | 265 | 550 | 410 |
| Percentage | 8% | 12% | 3% | 6% | 10% |

| Average payment time from date of receipt of invoice | | | | | |
|--|----------|---------------|---------------|----------------|-----------|
| Average Time: | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| Average Number of Days | 24 | 22 | 27 | 22 | 24 |

| Number of payments made to East Anglia postcodes | | | | | |
|--|----------|---------------|---------------|----------------|-----------|
| Number of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| Number | 3466 | 3615 | 3856 | 4467 | 1926 |
| Percentage | 48% | 45% | 48% | 53% | 47% |

| Analysis of the value of payments made by banding | | | | | |
|---|----------|---------------|---------------|----------------|-----------|
| Value of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| 0 - 9 | 0.01% | 0.02% | 0.01% | 0.01% | 0.01% |
| 10 - 999 | 13% | 14% | 13% | 13% | 10% |
| 1000 - 9999 | 46% | 41% | 48% | 42% | 52% |
| 10000 + | 41% | 45% | 38% | 44% | 38% |

*Data does not include payments to Councils/Gov't/HMRC/refunds

| Analysis of the value of payments made by type | | | | | |
|--|----------|---------------|---------------|----------------|-----------|
| Type of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| BACS | 92% | 91% | 91% | 88% | 96% |
| Cheques | 4% | 8% | 0.15% | 5% | 3% |
| DD | 5% | | 9% | 7% | 0.1% |
| Bank Transfer | 0.1% | 0% | 0% | 0% | 0.6% |
| Other | 0.2% | 1% | 0% | 0% | 0% |

| Analysis of the value of payments made for utility bills | | | | | |
|--|--------------|---------------|---------------|----------------|--------------|
| Value of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| Utilities Total | £ 393,787.94 | £ 256,575.24 | £ 342,047.67 | £ 761,285.01 | £ 215,243.85 |
| Percentage | 4% | 3% | 3% | 7% | 3% |

| Analysis of the value of payments made by transaction cards | | | | | |
|---|----------|---------------|---------------|----------------|-----------|
| Type of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| Transaction Cards* | 2% | - | 1% | 1% | 3% |

*Transaction card data not listed elsewhere

| Value of payments made to East Anglia postcodes | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| Value of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| Value | £ 4,374,443.61 | £ 4,678,478.16 | £ 4,804,735.30 | £ 4,612,630.26 | £ 3,401,930.73 |
| Percentage | 47% | 54% | 45% | 45% | 45% |

| Number of payments processed without a purchase order | | | | | |
|---|----------|---------------|---------------|----------------|-----------|
| Number of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| Number | 2764 | 2553 | 2519 | 5252 | 731 |
| Percentage | 37% | 35% | 31% | 62% | 18% |

| Number of local suppliers used | | | | | |
|------------------------------------|----------|---------------|---------------|----------------|-----------|
| Number of local suppliers used | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| East Anglian | 61% | 60% | 61% | 58% | 64% |
| Within Councils' Boundaries | 33% | 31% | - | - | 34% |

| Value of payments processed without a purchase order | | | | | |
|--|----------------|----------------|----------------|----------------|--------------|
| Value of payments made | Mean (%) | North Norfolk | South Norfolk | Great Yarmouth | Breckland |
| Value | £ 3,547,525.81 | £ 2,770,157.21 | £ 3,439,090.57 | £ 7,166,912.92 | £ 813,942.52 |
| Percentage | 32% | 12% | 33% | 70% | 11% |

Great Yarmouth Borough Council

Year ending 31 March 2016

Audit Plan

29 March 2016

Ernst & Young LLP



Building a better
working world

Audit Committee
Great Yarmouth Borough Council
Town Hall
Hall Plain
Great Yarmouth
NR30 2QF

29 March 2016

Dear Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2015/16 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Council's service expectations.

This Plan summarises our assessment of the key issues which drive the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with you on 29 March 2016 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kevin Suter
Executive Director
For and behalf of Ernst & Young LLP
Enc

Contents

| | |
|--|-----------|
| 1. Overview | 1 |
| 2. Financial statement risks | 2 |
| 3. Value for money risks | 4 |
| 4. Our audit process and strategy..... | 5 |
| 5. Independence..... | 9 |
| Appendix A Fees..... | 11 |
| Appendix B UK required communications with those charged with governance | 12 |

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies 2015-16". It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment from 1 April 2015' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to full Council, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

This Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Great Yarmouth Borough Council give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended; and
- ▶ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

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

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

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

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

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

We will provide an update to the Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2016.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

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

| Significant risks (including fraud risks) | Our audit approach |
|--|--|
| Property, Plant and Equipment | |
| <p>The Council considers the appropriateness of asset valuations each year. These are material estimated figures within the financial statements.</p> <p>Our prior year audit found a number of significant errors relating to capital accounting which led to a late audit opinion being issued. The post of capital accountant is currently vacant increasing the risk of errors in the 2015/16 financial statements. We consider that capacity issues in the finance department present a significant risk in terms of the ability to prepare property, plant and equipment disclosures in line with Code requirements.</p> <p>There is the further risk of a wider impact on other accounts disclosures if capacity issues are not rectified in the immediate future.</p> <p>.</p> | <p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Reviewing the information provided to the Valuer ▶ Undertaking procedures to ensure we can rely on the Valuer as management's expert ▶ Reviewing the figures provided by the Valuer to ensure they are reasonable ▶ Reviewing the capital accounting entries in the financial statements ▶ Working through an improvement plan with officers in terms of addressing the issues arising from the prior year ▶ Monitoring the planned closedown and working with the finance team to specify working paper requirements and identify risk areas in advance of the financial statements audit |
| Risk of fraud in revenue recognition | |
| <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of fraud in revenue recognition.</p> | <p>We will</p> <ul style="list-style-type: none"> ▶ Review and test revenue and expenditure recognition policies ▶ Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias ▶ Develop a testing strategy to test material revenue and expenditure streams ▶ Review and test revenue cut-off at the period end date ▶ Reviewing capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised |
| Risk of management override | |
| <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> | <p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements ▶ Reviewing accounting estimates for evidence of management bias, and ▶ Evaluating the business rationale for significant unusual transactions |

Other financial statement risks**Pension valuations and disclosures**

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme in which it is an admitted body.

The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet.

The information disclosed is based on the IAS19 report issued to the Council by the actuaries to the administering body.

As part of their actuarial review, councils are being asked to make additional payments to the pensions scheme to fund deficits.

Our approach will focus on:

- ▶ Liaising with the auditors of the administering authority, to obtain assurances over the information supplied to the actuary in relation to Great Yarmouth Borough Council
- ▶ Assessing the conclusions drawn on the work of the actuary by the Consulting Actuary, PwC
- ▶ Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19

Business Rates

Councils need to provide for Business Rate appeals and will need to consider the following when estimating the provision:

- ▶ Assessing appeals made to the Valuation Office. Councils may not be aware of the level or extent of claims and may also find it difficult to obtain sufficient information to establish a reliable estimate for the appeal provision
- ▶ Estimating future appeals where there is a higher likelihood of occurrence.
- ▶ Making assumptions about how far appeals may be backdated, given new maximum periods of backdating being introduced.

We will review:

- ▶ The detailed accounting for business rates to ensure the Council's accounts are materially accurate and compliant with the CIPFA Code of practice
- ▶ The Council's provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS 37. As part of this we will assess whether the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed in the accounts
- ▶ The Council's treatment of the reassessment of the provision relating to the power station following on from a ruling on the 2005 listing valuation.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud, and,
- ▶ Performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

For 2015-16 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the following significant VFM risk which we view as relevant to our value for money conclusion.

| Significant value for money risks | Our audit approach |
|--|---|
| Sustainable resource deployment: Achievement of savings needed over the medium term | |
| <p>The Comprehensive Spending Review will impact on the Council's budget and medium term financial planning during current and forthcoming financial years.</p> <p>The Council is currently predicting a £0.885 million budget gap to 2017/18, increasing to £1.753 million in 2018/19 and has a number of plans to achieve the required savings in the medium term, including the transformation programme and related to this the organisational development and capacity review. However the Council also recognises the risk that there are insufficient skills and capacity to enable the Council to continue with its transformation plans.</p> <p>It is clear that the Council is facing a number of financial pressures which may impact on its ability to develop and deliver sustainable financial and service plans for current and future years.</p> | <p>Our approach will focus on reviewing:</p> <ul style="list-style-type: none"> ► The Council's approach to prioritising resources, identifying and delivering savings programmes in the short, medium and long term in terms of its transformation programme. |

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Council's:

- ▶ Financial statements
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

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

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require;

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

4.2 Audit process overview

Our audit involves:

- ▶ Assessing the key internal controls in place and testing the operation of these controls
- ▶ Review of the work of Internal Audit
- ▶ Reliance on the work of other auditors where appropriate
- ▶ Reliance on the work of experts in relation to areas such as pensions and property valuations and PFI accounting
- ▶ Substantive tests of detail of transactions and amounts.

Processes

Following our initial assessment of the key procedures across the entity we intend to take a fully substantive audit approach as we have assessed this as the most efficient way of carrying out our work.

Accounts receivable, accounts payable, property, plant and equipment, financial statement close processes including journals, investments, borrowings, payroll, cash balances, council tax, business rates, housing benefits and housing rents will be tested substantively at year end.

Analytics

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

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

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

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

| Area | Specialists |
|-------------------------------|--|
| Property, plant and equipment | The Council's internal property valuation team |
| Pensions | EY Pensions Advisory, PwC (Consulting Actuary to the PSAA) and Hymans Robertson (Norfolk Pension Fund actuary) |

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence

standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

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

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements of the Council is £1.877 million based on 2% of gross expenditure. We will communicate uncorrected audit misstatements greater than £0.93 million to you.

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

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Great Yarmouth Borough Council is £55,800.

Additional fees of £18,150 were charged in 2014/15 in addition to the scale fee of £74,400 to reflect the significant additional work required on property, plant and requirement disclosures. A significant improvement in working papers and evidence to support property, plant and equipment disclosures and address the issues leading to the additional fee in 2014/15 will be required to avoid additional fees in this respect in 2015/16.

4.6 Your audit team

The engagement team is led by Kevin Suter, who has significant experience on council audits. Kevin is supported by Tina Meyer who is responsible for the day-to-day direction of audit work and is the key point of contact for the chief financial officer.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Council's cycle in 2015/16. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Audit Committee and external stakeholders, including members of the public.

| Audit phase | Timetable | Audit Committee timetable | Deliverables |
|--|-------------------------|---------------------------|--|
| High level planning | February 2016 | March 2016 | |
| Risk assessment and setting of scopes | February – April 2016 | March 2016 | Audit Plan |
| Testing routine processes and controls | February – April 2016 | To be confirmed 2016 | Progress Report if required |
| Year-end audit | August – September 2016 | | |
| Completion of audit | September 2016 | September 2016 | Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements and value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return. |
| Conclusion of reporting | October 2016 | To be confirmed 2016 | Annual Audit Letter |

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

5. Independence

5.1 Introduction

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

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

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

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

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

5.2 Relationships, services and related threats and safeguards

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

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with PSAA Terms of Appointment.

At the time of writing, there are no non-audit fees. No additional safeguards are required.

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

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

Self-review threats

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

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

Management threats

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

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

Other threats

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

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

Overall Assessment

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

5.3 Other required communications

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

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2015 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015>

Appendix A Fees

A breakdown of our agreed fee is shown below.

| | Planned Fee 2015/16 £ | Scale fee 2015/16 £ | Outturn fee 2014/15 £ | Explanation |
|--|-----------------------------|---------------------------|-----------------------------|-------------|
| Opinion Audit and VFM Conclusion | 55,800 | 55,800 | 92,550 | * See below |
| Total Audit Fee – Code work | 55,800 | 55,800 | 92,550 | |
| Certification of claims and returns ¹ | 25,743 | 25,743 | 30,910 | |
| Non-audit work | - | - | - | |

All fees exclude VAT.

* Additional fees of £18,150 were charged in 2014/15 in addition to the scale fee of £74,400 to reflect the significant additional work required on property, plant and requirement disclosures.

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

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ We can rely on the work of internal audit as planned;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council, including a significant improvement in working papers and evidence to support property, plant and equipment disclosures and address the issues leading to the additional fee in 2014/15; and
- ▶ The Council has an effective control environment.

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

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

¹ Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Council. These are detailed here:

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

| Required communication | Reference |
|---|--|
| Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement director's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence | <ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance |
| Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements | <ul style="list-style-type: none"> ▶ Report to those charged with governance |
| Significant deficiencies in internal controls identified during the audit | <ul style="list-style-type: none"> ▶ Report to those charged with governance |
| Fee Information <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit | <ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance ▶ Annual Audit Letter if considered necessary |
| Certification work <ul style="list-style-type: none"> ▶ Summary of certification work undertaken | Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary |

EY | Assurance | Tax | Transactions | Advisory

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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