

**AUDIT & ACCOUNTS COMMITTEE**

*Date of Meeting:* Wednesday 24 June 2015  
*Time:* 10am  
*Venue:* G21, Kelham Hall

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Your ref:  
Our ref:

Tuesday 16 June 2015

**To: All Members of the Audit & Accounts Committee**

You are hereby requested to attend the above Meeting to be held at the time/place on the date mentioned above for the purpose of transacting the business on the Agenda as under.

A pre-meeting for Members of the Committee will be held prior to the meeting, at 9:30am in G21.



A W Muter  
Chief Executive

**AGENDA**  
**24 JUNE 2015**

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1. Apologies for Absence	
2. Declarations of Interest by Members and Officers and as to the Party Whip	
3. Declaration of any Intentions to Record the Meeting	
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12. Date of Next Meeting- Wednesday, 9 September 2015 at 10am	

Any questions relating to the agenda items should be submitted to David Dickinson- Director-Resources, at least 24 hours prior to the meeting in order that a full response can be provided.

## Distribution

Councillors: B. Crowe  
Mrs R. Crowe  
Mrs M. Dobson  
P. Handley  
Mrs S.M. Michael (C)  
D. Staples

Officers: D. Dickinson  
N. Lovely  
A. Hunt (Audit Lincs)  
Lucy Pledge (Audit Lincs)  
John Sketchley (Audit Lincs)  
John Cornett (KPMG)  
Helen Bayne (x2)

NEWARK & SHERWOOD DISTRICT COUNCIL

Minutes of the meeting of the **AUDIT & ACCOUNTS COMMITTEE** held in Room G21, Kelham Hall on Wednesday 8 April 2015 at 10:00am.

PRESENT: Councillor Mrs S.M. Michael (Chairman)

Councillors: J. Bradbury, and D. Staples.

ALSO IN ATTENDANCE: David Dickinson (Director – Resources (NSDC))  
Nicola Lovely (Business Manager – Financial Services (NSDC))  
Nicola Pickavance (Assistant Business Manager- Financial Services  
NSDC)  
John Cornett – (KPMG)

56. APOLOGIES FOR ABSENCE

Apologies for absence were submitted by Councillors Mrs R. Crowe, Mrs M. Dobson, and G.P. Handley.

57. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS AND AS TO THE PARTY WHIP

NOTED: that no Member or Officer declared any interest pursuant to any statutory requirement in any matter discussed or voted upon at the meeting.

58. DECLARATION OF ANY INTENTION TO RECORD THE MEETING

None.

59. MINUTES OF MEETING HELD ON 11 FEBRUARY 2015

AGREED that the Minutes of the meeting held on 11 February 2015 be approved as a correct record and signed by the Chairman.

60. STATEMENT OF ACCOUNTING POLICIES

The Assistant Business Manager- Financial Services presented a report detailing the Council's accounting policies in relation to the production of the Statement of Accounts for the 2014/15 financial year. The Statement of Accounts will be based on the Code of Practice on Local Authority Accounting in the UK 2014/15 (the Code), changes to which were detailed in the report. Most of the changes were minor, and related to the way that joint ventures are to be reported within the Statement of Accounts. Only one of the related policies of the Council had been amended as a result of changes to the Code. This was not a change that would require restatement of the previous year's Statement of Accounts

The Committee noted that the Council did not have a specific policy relating to how the Statement of Accounts was presented. Members questioned whether this would be beneficial, with the aim of simplifying the presentation for members and the public. Whilst Officers acknowledged the complexity of the Statement of Accounts, it was noted that its presentation was prescribed in legislation.

AGREED That the report be noted.

61. EXTERNAL AUDIT CERTIFICATION OF GRANT CLAIMS AND RETURNS

John Cornett - Director KPMG was in attendance to present the certification of grant claims and returns for 2013/14, covering the Housing Benefit Subsidy Claim of £27,202,866 and the Pooling of Housing Capital Receipts return for £1,467,533.

With regard to the Pooling of Housing Capital Receipts, an error relating to the omission of a buyback was highlighted. The report also detailed a number of small value errors identified in the sample of benefits payments tested; however, no adjustments were necessary to the amount of grant as a result of the audit work. A qualified opinion of the Housing Benefit Subsidy claim was therefore issued, but assurance was given that this was usual for all Councils. Overall, the certification was positive, raising no significant issues for the authority.

Members noted that the final fee was higher than the indicative fee at £7,795. The increased fee was yet to be approved by Public Sector Audit Appointment Ltd. Mr Cornett explained that this was due to an increased amount of work required for the testing of the Housing Benefit Subsidy claim, following a delay in the testing undertaken by the Council's benefits team, and the nature of the errors found. It was anticipated that further discussion would be undertaken to clarify responsibilities and timetables for testing the data for next year.

AGREED That the report be noted.

62. ANNUAL EXTERNAL AUDIT PLAN FOR 2014/15 ACCOUNTS AND VALUE FOR MONEY CONCLUSION

The Committee considered the Annual External Audit Plan for 2014/15, which set out the proposed work of the external auditors relating to the audit of financial statements and value for money conclusion for 2014/15. The plan described the audit approach, key financial statement audit risks and the value for money audit approach, and also included the timeline and planned audit fee.

John Cornett - Director, KPMG explained that the plan now included consideration of Management Override of Controls and Fraudulent Revenue Recognition as key financial statement audit risks. It was explained that these were undertaken as a matter of course, and had been included in the plan following the results of a quality review at KPMG, rather than because of a specific risk highlighted. No specific significant risks or value for money risks had been identified.

The indicative audit fee for 2014/15 was £64,438, reflecting the uplift of £900 included for work around Non-Domestic Rates, which was still required for the accounts, but no longer obtained through undertaking a review of the NNDR return.

AGREED That the report be noted.

63. COUNTER FRAUD ACTIVITY REPORT

The Business Manager - Financial Services presented a report detailing counter fraud activity undertaken between 1 October 2014 and 24 March 2015. Since October, one person had been successfully prosecuted for fraudulent benefit claims, resulting in overpayment of £16,434.29 housing benefit, and £4,071.65 council tax benefit, both of which were recoverable. Another person had accepted an administration penalty after admitting fraud. Six other cases of overpayments had been identified, due to claimant or officer error. These totalled £14,064.67 for housing benefit and £1,345.93 for council tax benefit, both of which were again recoverable.

Actual court costs to the Council were also detailed in the report, which were £7,131 since October 2014. Court costs were recovered where possible.

A counter fraud audit relating to procurement and contracts had been undertaken in early 2015, and confirmed the Council had effective control in place to manage the risks. It was also noted a county-wide single personal discount review was underway and that possible data matches from the 2014/15 National Fraud Initiative were currently being assessed.

AGREED that the report be noted.

64. RESPONSES TO QUESTIONS RAISED AT PREVIOUS MEETING

Members considered a question raised at the previous meeting, noting the comparison of percentage of household waste sent for reuse, recycling or composting across all Nottinghamshire Councils. It was agreed that this be referred to the Leisure and Environment Committee for consideration as the figure for NSDC at 26.5% was below the national average of 44.2%. It was acknowledged that the higher recycling figures included compost recycling.

AGREED that the comparison data for recycling in the District be referred to the Leisure and Environment Committee.

65. WORK PLAN

AGREED that the workplan be noted.

66. DATE OF NEXT MEETING

The next meeting would be on Thursday 25 June 2015

The meeting closed at 10.38pm

Chairman

**REMIT OF AUDIT AND ACCOUNTS COMMITTEE**

**1.0 Purpose of Report**

1.1 To advise Members of the remit of the Audit and Accounts Committee.

**2.0 Introduction**

2.1 The remit of the Audit and Accounts Committee is determined by the Council and forms part of the Council's Constitution.

2.2 The main areas covered by the remit are as follows:

- Approval of the Council's published accounts;
- To receive and review internal audit reports;
- To consider reports presented by the Council's external auditors;
- Oversight of the Council's Risk Management arrangements;
- Approval of relevant assurance statements; and
- Oversight of the Council's Treasury Management arrangements.

2.3 Appendix A shows the full remit of the Committee.

**3.0 RECOMMENDATION that:**

**The remit of the Audit and Accounts Committee is noted.**

**Background Papers**

Nil.

For further information contact David Dickinson, Director of Resources, on extension 5300.

D Dickinson  
Director of Resources

## APPENDIX A

### **AUDIT AND ACCOUNTS COMMITTEE**

#### **Remit**

1. To approve the Authority's statement of accounts, income and expenditure and balance sheet or record of receipts and payments (as the case may be) – Accounts and Audit Regulations.
2. To undertake the following functions and, where necessary, submit reports and/or make recommendations to the Policy Committee and/or to Council.
  - (i) Receive reports/presentations from the Council's internal audit manager, consider the main issues identified and monitor management action in response to any recommendations arising therefrom.
  - (ii) Receive and consider the external auditor's opinion and reports, and those of external inspection agencies, and monitor management action in response to the issues raised.
  - (iii) Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
  - (iv) Consider the effectiveness and adequacy of the authority's risk management arrangements, the control environment and associated anti fraud and anti corruption arrangements. To consider the adequacy of the action being taken on risk related issues identified by auditors and inspectors.
  - (v) Be satisfied that the authority's assurance statements properly reflect the risk environment and any controls in place to manage it.
  - (vi) Ensure effective scrutiny of the Council's Treasury Management Strategy and Policies.
3. To recommend to the Council's S151 Officer the approval of (but not the direction of) internal audit's strategy plan and performance.

NOTE: The Section 151 Officer or an officer nominated to act on his behalf will normally attend meetings of the Committee in an advisory capacity. Other members and/or officers of the Council may be invited to attend as appropriate.

#### **Membership**

6 Members

(A link to the current membership of the Committee can be found on the Constitution home page).

**TREASURY MANAGEMENT OUTTURN REPORT 2014/15**  
**REPORT PRESENTED BY: Tara Beesley - Accountant**

**1. Purpose of Report**

- 1.1. The purpose of this report is to give Members the opportunity to review the annual Treasury Outturn report which will be presented to Council on 21<sup>st</sup> July 2015 (copy attached at **Appendix A**).

**2. Introduction**

- 2.1. In January 2010 the Council formally adopted the CIPFA Code of Practice on Treasury Management which requires that the Council receives regular reports on its treasury management activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.
- 2.2. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Audit and Accounts Committee and for the execution and administration of treasury management decisions to the section 151 officer, who will act in accordance with the Council's policies and practices.
- 2.3. The Treasury Strategy and Prudential Indicators for 2014/15 were approved by Council on 10<sup>th</sup> March 2014 and the Outturn report is the last of the three reports for the year required by the Code. It has been prepared on the basis of the draft final accounts which appear elsewhere on the agenda. If there are significant changes resulting from the audit of the accounts they will be reported at the next meeting of this Committee.

**3. RECOMMENDATION**

**That the Treasury Outturn position for 2014/15 be considered.**

**Background Papers**

Nil

For further information please contact Tara Beesley on extn. 5328

David Dickinson  
Director – Resources

**COUNCIL 21<sup>st</sup> JULY 2015**

**ANNUAL TREASURY REPORT 2014/15**

**1. Background**

- 1.1. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ('the Code') which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. Scrutiny of treasury policy, strategy and activity is delegated to the Audit and Accounts Committee.
- 1.2. Treasury management is defined as: 'The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'
- 1.3. Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management strategy.

**2. Economic Background**

- 2.1. The robust pace of GDP growth of 3% in 2014 was underpinned by a buoyant services sector, supplemented by positive contributions from the production and construction sectors. Resurgent house prices, improved consumer confidence and healthy retail sales added to the positive outlook for the UK economy given the important role of the consumer in economic activity.
- 2.2. Annual CPI inflation fell to zero for the year to March 2015, down from 1.6% a year earlier. The key driver was the fall in the oil price and a steep drop in wholesale energy prices with extra downward momentum coming from supermarket competition resulting in lower food prices. Bank of England Governor Mark Carney wrote an open letter to the Chancellor in February, explaining that the Bank expected CPI to temporarily turn negative but rebound around the end of 2015 as the lower prices dropped out of the annual rate calculation.
- 2.3. The Bank of England's MPC maintained interest rates at 0.5%. Its members held a wide range of views on the response to zero CPI inflation, but just as the MPC was prepared to look past the temporary spikes in inflation to nearly 5% a few years ago, they felt it appropriate not to get panicked into response to the current low rate of inflation. The minutes of the MPC meetings reiterated the Committee's stance that the economic headwinds for the UK economy and the legacy of the financial crisis meant that increases in the Bank Rate would be gradual and limited, and below average historical levels.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at ***Appendix B***.

### 3. Local Context

- 3.1. At 31/03/2015 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £122m, while usable reserves and working capital which are the underlying resources available for investment were £22.9m.
- 3.2. At 31/03/2015, the Council had £94m of borrowing and £17m of investments. The Council's current strategy is to maintain borrowing below the underlying level indicated by the CFR, and to use internal resources to cover the gap. This is referred to as internal borrowing.
- 3.3. The Council has an increasing CFR over the next 2 years due to the capital programme and there may be a requirement to borrow up to £6m over the forecast period. However, if reserve levels permit, internal borrowing will be considered.

### 4. Borrowing Strategy

#### 4.1. Borrowing Activity in 2014/15

	<b>Balance 1/4/14 £000</b>	<b>New Borrowing £000</b>	<b>Debt Maturing £000</b>	<b>Balance 31/3/15 £000</b>
CFR	121,614			122,145
Short Term Borrowing	3,833	13,594	13,600	3,827
Long Term Borrowing	93,175	0	3,016	90,159
<b>Total Borrowing</b>	<b>97,008</b>	<b>13,594</b>	<b>16,616</b>	<b>93,986</b>
Other Long Term Liabilities	224	0	0	224
<b>Total External Debt</b>	<b>97,232</b>	<b>13,594</b>	<b>16,616</b>	<b>94,210</b>
Increase/(Decrease) in Borrowing £000				(3,022)

- 4.2. The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
- 4.3. Affordability remained an important influence on the Council's borrowing strategy alongside the "cost of carry" - consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained, and are likely to remain lower than long-term rates, at least over the forthcoming two years, the Council determined it was more cost effective in the short-term to use internal resources instead.
- 4.4. The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Council with this 'cost of carry' and breakeven analysis.
- 4.5. **LOBOs:** The Council holds £16.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. None of these LOBOS had options during the year.

- 4.6. **Debt Rescheduling:** The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.
- 4.7. **Abolition of the PWLB:** In January 2015 the Department of Communities and Local Government (CLG) confirmed that HM Treasury (HMT) would be taking the necessary steps to abolish the Public Works Loans Board. HMT has confirmed however that its lending function will continue unaffected and local authorities will retain access to borrowing rates which offer good value for money. The Council intends to use the PWLB's replacement as a potential source of borrowing if required.

## 5. **Investment Activity**

### 5.1. Investment Activity in 2014/15

	<b>Balance 1/4/14 £000</b>	<b>New Investments £000</b>	<b>Investments Redeemed £000</b>	<b>Balance 31/3/15 £000</b>
Short Term Investments	10,258	148,167	141,337	17,088
Long Term Investments	10	0	10	0
<b>Total Investments</b>	<b>10,268</b>	<b>148,167</b>	<b>141,347</b>	<b>17,088</b>
Increase/(Decrease) in Investments £000				6,820

- 5.2. The Council has held invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2014/15 the Council's investment balances have ranged between £9.5 and £25.5 million. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.
- 5.3. Security of capital remained the Council's main objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2014/15.
- 5.4. Counterparty credit quality is assessed and monitored by Arlingclose, the Council's treasury advisors, with reference to credit ratings; credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. Arlingclose provide recommendations for suitable counterparties and maximum investment periods.

A more detailed counterparty update has been provided by Arlingclose and is attached at **Appendix C**.

- 5.5. In March 2012 approximately 82p in the £1 was recovered from the Council's investment in Glitnir Bank. The remaining 18% is held in Icelandic Krona which the Council have not been able to access due to restrictions imposed by the Icelandic government. Deutschebank recently offered to purchase Icelandic Krona from all affected Councils at a discounted rate and the Director - Resources received delegated authority to proceed with the sale. The process to sign legal agreements to affect the sale is underway, and it is anticipated that the

remaining funds will be repaid by the end of June 2015. Once this transaction is complete the Council will have recovered 96.75% of its original investment. The loss amounts to approximately £65,000.

## 6. Compliance with Prudential Indicators

6.1. The Council can confirm that it has complied with its Prudential Indicators for 2014/15, which were set on 10<sup>th</sup> March 2014 as part of the Council's Treasury Management Strategy Statement.

6.2. **Interest Rate Exposure:** These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates for both borrowing and investments. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments. The figure shown below for the maximum amount of variable rate exposure is negative due to there being a higher level of variable rate investments than variable rate borrowing.

	Approved Limit for 2014/15 £m	Maximum during 2014/15 £m
<b>Upper Limit for Fixed Rate Exposure</b>	103.6	93.2
<i>Compliance with Limit</i>		Yes
<b>Upper Limit for Variable Rate Exposure</b>	7.6	-20.9
<i>Compliance with Limit</i>		Yes

6.3. **Maturity Structure of Fixed Rate Borrowing.** This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

	Upper Limit %	Fixed Rate Borrowing 31/03/15 £m	Fixed Rate Borrowing 31/3/15 %	Compliance?
Under 12 months	15%	9.3	9.9%	Yes
12 months to 2 years	15%	10.5	11.2%	Yes
2 years to 5 years	30%	11.5	12.3%	Yes
5 years to 10 years	100%	18.2	19.3%	Yes
10 years and above	100%	44.4	47.3%	Yes

6.4. **Principal Sums Invested for over 364 Days.** All investments were made on a short-term basis and there were no investments for more than 364 days.

6.5. **Authorised Limit and Operational Boundary for External Debt.** The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached. The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The s151 Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2014/15; borrowing at its peak was £97.3m.

	<b>Approved Operational Boundary 2014/15 £m</b>	<b>Authorised Limit 2014/15 £m</b>	<b>Actual External Debt 31/03/15 £m</b>
Borrowing	110	136.1	94
Other Long Term Liabilities	0.4	0.6	0.2
<b>Total</b>	<b>110.4</b>	<b>136.7</b>	<b>94.2</b>

- 6.6. In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary of the treasury management activity during 2014/15. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
- 6.7. The Council also confirms that during 2014/15 it complied with its Treasury Management Policy Statement and Treasury Management Practices.

## **7. RECOMMENDATION**

**That the Treasury outturn position for 2014/15 be noted.**

For further information please contact Tara Beesley, Accountant, on extn 5328.

David Dickinson  
Director – Resources

**Growth and Inflation:** The robust pace of GDP growth of 3% in 2014 was underpinned by a buoyant services sector, supplemented by positive contributions from the production and construction sectors. Resurgent house prices, improved consumer confidence and healthy retail sales added to the positive outlook for the UK economy given the important role of the consumer in economic activity.

Annual CPI inflation fell to zero for the year to March 2015, down from 1.6% a year earlier. The key driver was the fall in the oil price (which fell to \$44.35 a barrel a level not seen since March 2009) and a steep drop in wholesale energy prices with extra downward momentum coming from supermarket competition resulting in lower food prices. Bank of England Governor Mark Carney wrote an open letter to the Chancellor in February, explaining that the Bank expected CPI to temporarily turn negative but rebound around the end of 2015 as the lower prices dropped out of the annual rate calculation.

**Labour Market:** The UK labour market continued to improve and remains resilient across a broad base of measures including real rates of wage growth. January 2015 showed a headline employment rate of 73.3%, while the rate of unemployment fell to 5.7% from 7.2% a year earlier. Comparing the three months to January 2015 with a year earlier, employee pay increased by 1.8% including bonuses and by 1.6% excluding bonuses.

**UK Monetary Policy:** The Bank of England's MPC maintained interest rates at 0.5% and asset purchases (QE) at £375bn. Its members held a wide range of views on the response to zero CPI inflation, but just as the MPC was prepared to look past the temporary spikes in inflation to nearly 5% a few years ago, they felt it appropriate not to get panicked into response to the current low rate of inflation. The minutes of the MPC meetings reiterated the Committee's stance that the economic headwinds for the UK economy and the legacy of the financial crisis meant that increases in the Bank Rate would be gradual and limited, and below average historical levels.

Political uncertainty had a large bearing on market confidence this year. The possibility of Scottish independence was of concern to the financial markets, however this dissipated following the outcome of September's referendum. The risk of upheaval (the pledge to devolve extensive new powers to the Scottish parliament; English MPs in turn demanding separate laws for England) lingers on. The highly politicised March Budget heralded the start of a closely contested general election campaign and markets braced for yet another hung parliament.

On the continent, the European Central Bank lowered its official benchmark interest rate from 0.15% to 0.05% in September and the rate paid on commercial bank balances held with it was from -0.10% to -0.20%. The much-anticipated quantitative easing, which will expand the ECB's balance sheet by €1.1 trillion was finally announced by the central bank at its January meeting in an effort to steer the euro area away from deflation and invigorate its moribund economies. The size was at the high end of market expectations and it will involve buying €60bn of sovereign bonds, asset-backed securities and covered bonds a month commencing March 2015 through to September 2016. The possibility of a Greek exit from the Eurozone refused to subside given the clear frustrations that remained between its new government and its creditors.

The US economy rebounded strongly in 2014, employment growth was robust and there were early signs of wage pressures building, albeit from a low level. The Federal Reserve made no

change to US policy rates. The central bank however continued with ‘tapering’, i.e. a reduction in asset purchases by \$10 billion per month, and ended them altogether in October 2014. With the US economy resilient enough the weather the weakness of key trading partners and a strong US dollar, in March 2015 the Fed removed the word “patient” from its statement accompanying its rates decisions, effectively leaving the door open for a rise in rates later in the year.

**Market reaction:** From July, gilt yields were driven lower by a combination of factors: geo-political risks emanating from the Middle East and Ukraine, the slide towards deflation within the Eurozone and the big slide in the price of oil and its transmission though into lower prices globally. 5-, 10- and 20-year gilt yields fell to their lows in January (0.88%, 1.33% and 1.86% respectively) before ending the year higher at 1.19%, 1.57% and 2.14% respectively.

### Money Market Data and PWLB Rates

*The average, low and high rates correspond to the rates during the financial year rather than those in the tables below.*

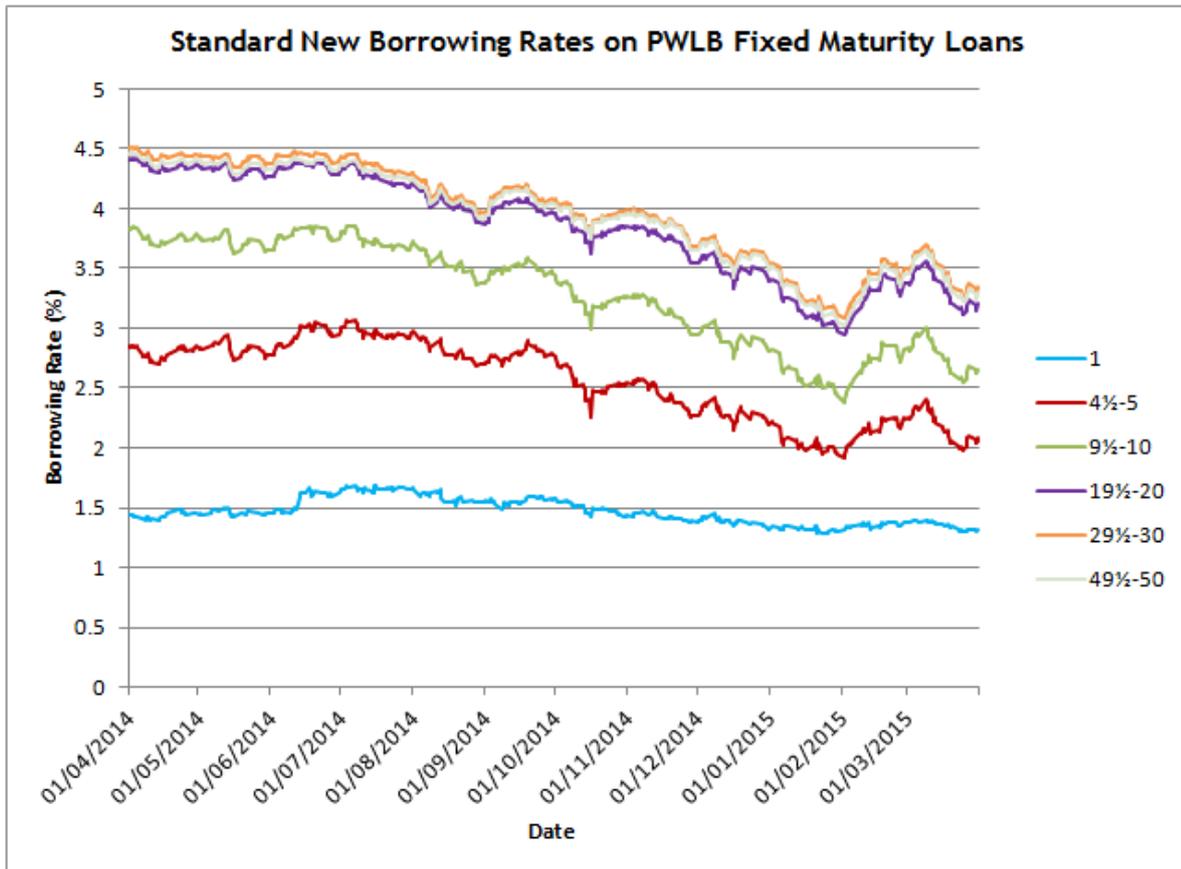
*Please note that the PWLB rates below are Standard Rates. Authorities eligible for the Certainty Rate can borrow at a 0.20% reduction.*

**Table 1: Bank Rate, Money Market Rates**

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2014	0.50	0.36	0.39	0.42	0.46	0.56	0.84	1.05	1.44	2.03
30/04/2014	0.50	0.36	0.40	0.42	0.47	0.57	0.85	1.09	1.47	2.02
31/05/2014	0.50	0.35	0.40	0.43	0.48	0.67	0.87	1.11	1.46	1.98
30/06/2014	0.50	0.36	0.40	0.43	0.50	0.71	0.94	1.33	1.70	2.17
31/07/2014	0.50	0.37	0.41	0.43	0.50	0.72	0.97	1.34	1.71	2.17
31/08/2014	0.50	0.36	0.42	0.43	0.50	0.77	0.98	1.22	1.53	1.93
30/09/2014	0.50	0.43	0.45	0.43	0.51	0.66	1.00	1.25	1.57	1.99
31/10/2014	0.50	0.40	0.43	0.43	0.51	0.66	0.98	1.10	1.38	1.78
30/11/2014	0.50	0.35	0.50	0.43	0.51	0.66	0.97	0.93	1.15	1.48
31/12/2014	0.50	0.43	0.48	0.42	0.51	0.66	0.97	0.92	1.12	1.44
31/01/2015	0.50	0.45	0.45	0.43	0.51	0.66	0.95	0.83	0.98	1.18
28/02/2015	0.50	0.43	0.47	0.43	0.51	0.66	0.96	0.99	1.22	1.53
31/03/2015	0.50	0.50	0.62	0.43	0.51	0.74	0.97	0.88	1.06	1.34
Average	0.50	0.39	0.44	0.43	0.50	0.67	0.95	1.09	1.38	1.79
Maximum	0.50	0.50	0.62	0.43	0.51	0.81	1.00	1.38	1.77	2.26
Minimum	0.50	0.24	0.36	0.42	0.46	0.56	0.84	0.80	0.96	1.18
Spread	--	0.26	0.26	0.01	0.05	0.25	0.16	0.58	0.81	1.08

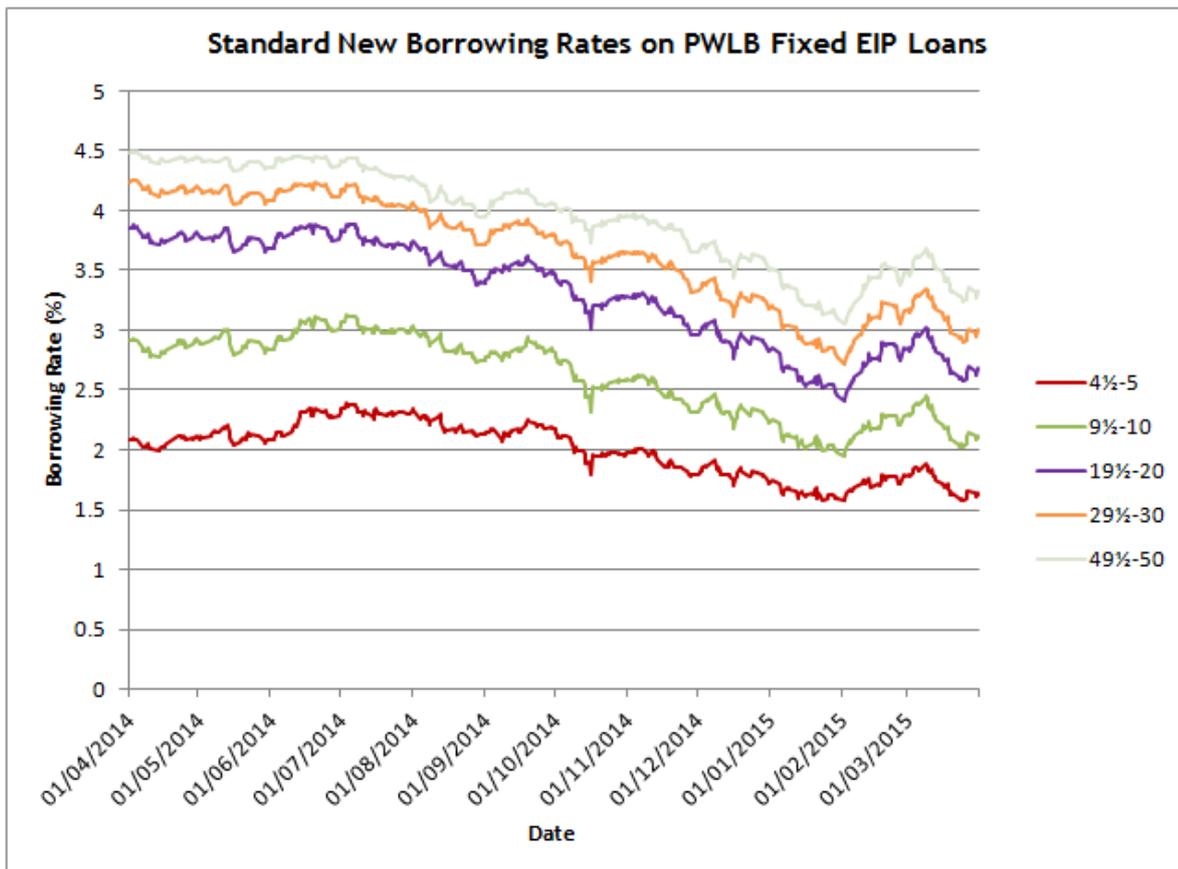
**Table 2: PWLB Borrowing Rates – Fixed Rate, Maturity Loans**

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2014	127/14	1.44	2.85	3.83	4.41	4.51	4.49	4.47
30/04/2014	166/14	1.45	2.86	3.79	4.37	4.46	4.43	4.41
31/05/2014	206/14	1.45	2.78	3.65	4.27	4.38	4.35	4.33
30/06/2014	248/14	1.63	2.95	3.74	4.30	4.40	4.36	4.34
31/07/2014	294/14	1.66	2.96	3.70	4.21	4.30	4.27	4.25
31/08/2014	334/14	1.55	2.70	3.38	3.88	3.97	3.94	3.93
30/09/2014	378/14	1.57	2.77	3.46	3.96	4.07	4.05	4.03
31/10/2014	424/14	1.44	2.54	3.27	3.86	3.99	3.97	3.96
30/11/2014	465/14	1.39	2.27	2.94	3.54	3.68	3.66	3.65
31/12/2014	508/14	1.32	2.19	2.80	3.39	3.53	3.50	3.49
31/01/2015	042/15	1.30	1.94	2.44	2.98	3.12	3.08	3.06
28/02/2015	082/15	1.37	2.24	2.83	3.37	3.50	3.46	3.45
31/03/2015	126/15	1.31	2.06	2.65	3.20	3.33	3.29	3.28
	Low	1.28	1.91	2.38	2.94	3.08	3.03	3.02
	Average	1.47	2.56	3.28	3.85	3.96	3.93	3.92
	High	1.69	3.07	3.86	4.42	4.52	4.49	4.48



**Table 3: PWLB Borrowing Rates – Fixed Rate, Equal Instalment of Principal (EIP) Loans**

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2014	127/14	2.09	2.92	3.85	4.24	4.42	4.49
30/04/2014	166/14	2.12	2.93	3.82	4.20	4.38	4.45
31/05/2014	206/14	2.08	2.84	3.68	4.08	4.27	4.36
30/06/2014	248/14	2.29	3.01	3.76	4.12	4.30	4.38
31/07/2014	294/14	2.32	3.02	3.73	4.05	4.21	4.28
31/08/2014	334/14	2.13	2.75	3.40	3.72	3.89	3.95
30/09/2014	378/14	2.18	2.82	3.48	3.79	3.97	4.05
31/10/2014	424/14	1.97	2.59	3.29	3.66	3.86	3.96
30/11/2014	465/14	1.79	2.31	2.96	3.32	3.54	3.65
31/12/2014	508/14	1.72	2.23	2.82	3.17	3.39	3.50
31/01/2015	042/15	1.59	1.98	2.45	2.77	2.99	3.10
28/02/2015	082/15	1.78	2.29	2.84	3.16	3.38	3.48
31/03/2015	126/15	1.62	2.10	2.67	2.99	3.21	3.31
	Low	1.58	1.94	2.40	2.72	2.95	3.06
	Average	1.99	2.61	3.31	3.66	3.85	3.94
	High	2.39	3.13	3.89	4.26	4.43	4.50



**Table 4: PWLB Variable Rates**

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR
01/04/2014	0.55	0.56	0.57	1.45	1.46	1.47
30/04/2014	0.55	0.56	0.57	1.45	1.46	1.47
31/05/2014	0.55	0.57	0.58	1.45	1.47	1.48
30/06/2014	0.59	0.61	0.67	1.49	1.51	1.57
31/07/2014	0.58	0.61	0.69	1.48	1.51	1.59
31/08/2014	0.58	0.62	0.72	1.48	1.52	1.62
30/09/2014	0.64	0.68	0.75	1.54	1.58	1.65
31/10/2014	0.61	0.63	0.68	1.51	1.53	1.58
30/11/2014	0.58	0.64	0.69	1.48	1.54	1.59
31/12/2014	0.60	0.62	0.66	1.50	1.52	1.56
31/01/2015	0.59	0.60	0.65	1.49	1.50	1.55
28/02/2015	0.61	0.61	0.66	1.51	1.51	1.56
31/03/2015	0.62	0.62	0.66	1.52	1.52	1.56
<b>Low</b>	0.55	0.56	0.57	1.45	1.46	1.47
<b>Average</b>	0.59	0.61	0.66	1.49	1.51	1.56
<b>High</b>	0.64	0.68	0.76	1.54	1.58	1.66

## Counterparty Update

The European Parliament approved the EU Bank Recovery and Resolution Directive (BRRD) on April 15, 2014. Taking the view that potential extraordinary government support available to banks' senior unsecured bondholders will likely diminish, over 2014-15 Moody's revised the Outlook of several UK and EU banks from Stable to Negative (note, this is not the same as a rating review negative) and S&P placed the ratings of UK and German banks on Credit Watch with negative implications, following these countries' early adoption of the bail-in regime in the BRRD.

S&P also revised the Outlook for major Canadian banks to negative following the government's announcement of a potential bail-in policy framework.

The Bank of England published its approach to bank resolution which gave an indication of how the reduction of a failing bank's liabilities might work in practice. The Bank of England will act if, in its opinion, a bank is failing, or is likely to fail, and there is not likely to be a successful private sector solution such as a takeover or share issue; a bank does not need to be technically insolvent (with liabilities exceeding assets) before regulatory intervention such as a bail-in takes place.

The combined effect of the BRRD and the UK's Deposit Guarantee Scheme Directive (DGSD) is to promote deposits of individuals and SMEs above those of public authorities, large corporates and financial institutions. Other EU countries, and eventually all other developed countries, are expected to adopt similar approaches in due course.

In December the Bank's Prudential Regulation Authority (PRA) stress tested eight UK financial institutions to assess their resilience to a very severe housing market shock and to a sharp rise in interest rates and address the risks to the UK's financial stability. Institutions which 'passed' the tests but would be at risk in the event of a 'severe economic downturn' were Lloyds Banking Group and Royal Bank of Scotland. Lloyds Banking Group, [whose constituent banks are on the Council's counterparty list], is taking measures to augment capital and the PRA does not require the group to submit a revised capital plan. RBS, which is not on the Council's counterparty list for investments, has updated plans to issue additional Tier 1 capital. The Co-operative Bank failed the test.

The European Central Bank also published the results of the Asset Quality Review (AQR) and stress tests, based on December 2013 data. 25 European banks failed the test, falling short of the required threshold capital by approximately €25bn (£20bn) in total – none of the failed banks featured on the Council's counterparty list.

In October following sharp movements in market signals driven by deteriorating global growth prospects, especially in the Eurozone, Arlingclose advised a reduction in investment duration limits for unsecured bank and building society investments to counter the risk of another full-blown Eurozone crisis. Durations for new unsecured investments with banks and building societies which were previously reduced. Duration for new unsecured investments with some UK institutions was further reduced to 100 days in February 2015.

**UNDERLYING PENSION ASSUMPTIONS FOR 2014/2015 STATEMENT OF ACCOUNTS**

**1.0 Purpose of Report**

- 1.1 To provide Members with information regarding the assumptions made by the pension fund actuary in calculating the IAS 19 (International Accounting Standard 19 - Employee Benefits) figures to be reported in the 2014/2015 Statement of Accounts.

**2.0 Background**

- 2.1 IAS 19 - Employee Benefits is one of the financial reporting standards with which we must comply when producing our annual Statement of Accounts.
- 2.2 The basic requirement of IAS 19 is that an organisation should account for retirement benefits when it is committed to give them, irrespective of when they are paid out.
- 2.3 To calculate the cost of earned benefits for inclusion in the Statement of Accounts, the scheme actuaries use certain assumptions to reflect expected future events which may affect the cost. The assumptions used should lead to the best estimate of the future cash flows that will arise under the scheme liabilities. Any assumptions that are affected by economic conditions should reflect market expectations at the balance sheet date.
- 2.4 The Council will use the calculated costs and the underlying assumptions, based upon the advice of the actuary of the Nottinghamshire County Council Pension Fund and the administering authority (Nottinghamshire County Council), in preparing the annual Statement of Accounts.
- 2.5 A formal actuarial valuation is carried out every three years, the last being as at 31st March 2013. The figures produced for 31st March 2015 are estimates based on the last full actuarial valuation rolled forward and allowing for any change in the underlying assumptions.
- 2.6 All of the figures relating to IAS 19 are simply accounting adjustments made to comply with accounting standards and have no direct impact on resources. The amount charged to the General Fund Balance is the actual amount paid out in employer's contributions and not the charge calculated in accordance with IAS 19. The liability shown in the balance sheet is an estimate based on assumptions and would only ever become payable if the Council ceased as a going concern.

### 3.0 Financial Assumptions

	2014/2015	2013/2014
Price Inflation This allows for the effect of inflation on salary growth		
RPI	3.2%	3.5%
CPI	2.4%	2.7%
Pension Increase Rate Public sector pension increases are linked to the Consumer Prices Index (CPI).	2.4%	2.7%
Salary Increase Rate Reflects the expected rate of growth in pensionable pay, allowing for increases over and above inflation, eg career progression	4.2%	4.5%
Discount Rate This allows for the effect of inflation on the liabilities in the scheme.	3.3%	4.4%

### 4.0 Demographic Assumptions

	2014/2015	2013/2014
Pensioner Mortality This impacts on the length of time pensions are expected to be payable		
Retiring today	Male 22.1 Female 25.2	Male 22.0 Female 25.1
Retiring in 20 years	Male 24.2 Female 27.6	Male 24.1 Female 27.4
Commutation This allows for the effect of future retirees choosing to take a larger initial lump sum and reduced annual pension.	50%	50%
Timing of Retirement Members will retire at one retirement age for all tranches of benefit	Pension weighted average tranche retirement age	Pension weighted average tranche retirement age
LGPS 2014 50% Contribution The % of active members who will take up the option to pay 50% of contributions for 50% pf benefits	10%	10%

## 5.0 **Impact in Financial Statements**

Assumption	Movement	Impact
Price Inflation	Decrease	Decrease in charge for cost of future pensions
Pension Increase Rate	Decrease	Decrease in liabilities
Salary Increase Rate	Decrease	Decrease in charge for cost of future pensions
Discount Rate	Decrease	Reduction in liabilities

## 6.0 **RECOMMENDATION**

- a) **Members note and approve the assumptions used in the calculation of pension figures for 2014/2015.**

### Background Papers

Nil.

For further information please contact Nicola Pickavance on extension 5326

D. Dickinson  
Director – Resources

**INTERNAL AUDIT PROGRESS REPORT**

**REPORT PRESENTED BY: HEAD OF AUDIT AND RISK MANAGEMENT – AUDIT LINCOLNSHIRE**

**1.0 Purpose of Report**

To receive and comment upon the latest Internal Audit Progress Report which covers the period up to May 2015.

**2.0 Introduction**

The purpose of the internal audit progress report (Annex A) is to provide a summary of Internal Audit work undertaken during 2015/16 against the agreed audit plan.

**3.0 RECOMMENDATION**

**That the Audit and Accounts Committee consider and comment upon the latest internal audit progress report.**

**Background Papers**

Nil.

For further information please contact Lucy Pledge on 01522 553692.

David Dickinson  
Director of Resources



# **Internal Audit - Progress Report 2015 / 16**



**Date: *June 2015***

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## Introduction

- 1 The purpose of this report is to:
  - Advise of progress being made with the Audit Plan
  - Provide details of the audit work during the period
  - Raise any other matters that may be relevant to the Audit and Accounts Committee role

## Key Messages

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- 2 The Internal Audit schedule for the first six months of 2015/16 is in place. There are 20 audits in this period including one transferred from 2014/15 and so far there are:

■ 1 audit complete	5% of jobs
■ 1 audit at draft report stage	5% of jobs
■ 1 audit at fieldwork stage	5% of jobs
■ 1 audit at client brief stage	5% of jobs

We were requested to carry out further work on the Cattle Market during May and this is nearing completion.

- 3 We are pleased to report that we have issued 10 reports since the last Committee. Nine of these provided Effective and Some Improvement levels of assurance, the remaining report covered Value for Money so a level of assurance was not appropriate.

## Internal Audit work completed from February to May 2015

4 The following audit work has been completed and a final report issued:

Effective Assurance	Some Improvement Needed	Major Improvement Needed	Inadequate
<ul style="list-style-type: none"> <li>■ Insurance</li> <li>■ Transparency</li> <li>■ Corporate Counter Fraud – Procurement / Contracts</li> </ul>	<ul style="list-style-type: none"> <li>■ Safeguarding</li> <li>■ Data Protection</li> <li>■ Community grants</li> <li>■ Health and Safety</li> <li>■ Print Project/Hybrid Mail</li> <li>■ Project Management Arrangements for Internally Managed Projects</li> </ul>	<ul style="list-style-type: none"> <li>■ None</li> </ul>	<ul style="list-style-type: none"> <li>■ None</li> </ul>

**Note** The Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in Appendix 1.

5 The Value for Money report covered the Industrial Units and provided Management with an analysis of data and a number of points for consideration. The key findings included:

- The need to develop strategic objectives for the industrial units based on the requirement for an ongoing income stream or capital receipt for re-investment. The Council’s role as provider or enabler;
- Strengthening links between asset management and economic development to bring together the operational and strategic objectives for the industrial units;
- Reviewing the potential to make savings on planned maintenance through amalgamation of repairs and renewals;
- Working with funding partners to try and ensure capital and revenue is used within Newark and Sherwood District.

6 For the audits in the above table, we confirmed that the Council has sound processes in place:-

### Insurance

- The Council has effective processes in place to identify it’s insurance risks, procure and administer Insurance. It was evident that the Insurance Officer has a good relationship with the Insurers and Brokers and close links with staff which ensure an effective service.

- The level and type of cover in place sufficiently covers the insurable risks. It was procured on the advice of the Brokers, agreed by Management and is monitored and reviewed each year to ensure that this remains appropriate. Relevant changes within the Council and projects are disclosed to the Insurer to ensure that the appropriate cover is in place.

### **Transparency**

- The Council has made significant improvements since our last review in September 2013 and there are now only a few areas which need to be completed to be fully effective and have full compliance with the Code.
- Specific areas of good practice include:-
  - Responsibility for overseeing the implementation and ensuring compliance, has been assigned to the Information and Governance Officer;
  - A summary of the Data Sets and what has been published is maintained;
  - The 'Transparency Code' section on the Council's website is professional, well presented and easy to navigate around.

### **Corporate Counter Fraud – Procurement / Contracts**

- The controls set up by the Council for Procurement/Contract Fraud within the Fraud risk register to manage the risks were found to be satisfactory and these controls are in place and working.
- Specific areas of good practice include:-
  - Key employees and their staff are confident in the processes in place;
  - Documentation and guidance is available for staff and the public via the internet and the intranet;
  - Agreed procedures that will mitigate risk are being followed by staff;
  - Further actions that were required have been completed, or are scheduled in for completion.

### **Safeguarding**

- The Council has a safeguarding policy supported by systems to report concerns and clear senior management commitment.
- Throughout the review the commitment of the safeguarding group to promoting and delivering safeguarding across the District Council and Newark & Sherwood Homes was clear.
- Contact with a sample of employees across the District Council and discussion with Newark & Sherwood Homes demonstrated an awareness of safeguarding requirements and the importance of protecting vulnerable children and adults.

### **Data Protection**

- Data Protection compliance is well controlled at the Council. In particular:
  - Clear policies and procedures are in place;

- Data Protection E Learning is being rolled out to all staff;
- Data Protection requests are being dealt with appropriately;
- Information Sharing Agreements are in place where appropriate;
- Information Governance meetings have started to be held with Business Managers on a quarterly basis.

### **Community Grants**

- Overall the Council has effective arrangements in place for the application, award and management of Community, Sports and Arts grant funding.
- Specific areas of good practice include:-:
  - Regular performance monitoring and reporting arrangements are in place commensurate with the value of the current grants;
  - Staff are pro-active, well qualified and support applicants;
  - A register of grants awarded is maintained and budgets are regularly reviewed;
  - An Awards Panel consisting of Members and Officers is in place;
  - Guidance notes for applicants are provided.

### **Health and Safety**

- We found that the Council has effective processes in place to mitigate the risk of Legionella, in particular we found that:
  - There is a clear, concise and accessible Legionella Policy
  - Staff are confident in their roles and are correctly performing and recording the monthly testing
  - All information is collated at a central hub and monitored
  - Any issues that could lead to Legionella are reported and actioned
  - Confirmation of regular site testing is reported to Senior Management

### **Print Project/Hybrid Mail**

- The Council has made good progress with the Print Project although it is still in the process of 'bedding in'. In particular the design and print aspect of the Project has been embraced as far as possible by the Council.

### **Project Management Arrangements for Internally Managed Projects**

- The Council have a process for managing large projects involving external companies as senior management have recognised that there are not sufficiently qualified staff within the Council. This has included management of the Civil War Centre and Leisure Centre projects and will include management of the project to develop new Council offices. A separate review of the National Civil War Centre Project, confirmed that it was very well managed at all levels, with a thorough and effective Prince2 methodology adopted and followed.
- The council has adopted a home grown methodology for smaller projects managed internally which could be described a 'Prince2 light'.

## **Other Significant Work**

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### **7 Mansfield Crematorium**

The audit of the 2014/15 accounts has been completed. The audit ran smoothly and was completed on time. There were no issues to report this year.

## **Audits in Progress**

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8 The following 2015/16 audits have commenced:-

### **Audits at Draft Report Stage**

- Planning Policy

### **Audits in Progress**

- Partnership Working
- National Civil War Centre

## Assurance Definitions<sup>1</sup>

<b>Effective</b>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p> <p>As a guide there are a few low risk / priority actions arising from the review.</p>
<b>Some improvement needed</b>	<p>Our critical review or assessment on the activity gives us a reasonable level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low. A few specific control or risk issues identified.</p> <p>As a guide there are low to medium risk / priority actions arising from the review.</p>
<b>Major improvement needed</b>	<p>Our critical review or assessment on the activity identified numerous concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p> <p>As a guide there are numerous medium and a few high risk / priority actions arising from the review.</p> <p>Our work did not identify system failures that could result in any of the following:</p> <ul style="list-style-type: none"> <li>- damage to the Council's reputation</li> <li>- material financial loss</li> <li>- adverse impact on members of the public</li> <li>- failure to comply with legal requirements</li> </ul>
<b>Inadequate</b>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>Our work identified system failures that could result in any of the following:</p> <ul style="list-style-type: none"> <li>- damage to the Council's reputation</li> <li>- material financial loss</li> <li>- adverse impact on members of the public</li> <li>- failure to comply with legal requirements</li> </ul> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p> <p>As a guide there are a large number of high risks / priority actions arising from the review.</p>

<sup>1</sup> These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

## Appendix 2 - Internal Audit Plan & Schedule 2015/16

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
<b>Critical Service Activities</b>	<b>77</b>					
<b><u>Deputy Chief Executive</u></b>						
Planning Policy	10	Local Development Framework and other policies in place, compliance with the requirements of the Localism Act - neighbourhood planning and assets of community value.	April	April		Draft report being prepared.
<b><u>Director Safety</u></b>						
HRA Business Plan	8	Reviewed, assumptions made, linkages.	Aug/Sept			
Partnership work - NSH	18	To review the partnership arrangements in place.	May/June	June		Fieldwork
<b><u>Director Customers</u></b>						
Housing Options/Homelessness	8	High level review of strategies, policies and process to meet the homelessness responsibilities.	Jun/Jul			
National Civil War Centre	8	Review requested of key processes in place for income, security and others following opening of centre.	June	June		Client brief completed and fieldwork to commence 9 June.
ICT Audit	10	Review of the service itself looking at future planning and	Jun/Jul			

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
		meeting objectives.				
<b><u>Director Communities</u></b>						
Refuse and Recycling	10	Review of processes in place to:- <ul style="list-style-type: none"> <li>○ collect domestic, bulky and trade waste</li> <li>○ collection of income</li> <li>○ meet the targets</li> </ul>	Sept/Oct			
<b><u>Director of Resources</u></b>						
Capital Programme	5	Approved and monitored.	Sept/Oct			
<b>Due Diligence</b>	<b>75</b>					
<b><u>Deputy Chief Executive</u></b>						
Corporate Planning	5	High level review of planning in place for the Council:- corporate priorities, business plans, objectives.	Aug/Sept			
<b><u>Director of Resources</u></b>						
Budgetary Control	8	Cyclical system review.	July			
Creditors	8	Cyclical system review.	Aug/Sept			
Debtors	8	Cyclical system review.	Aug/Sept			
VAT/Tax	10	Cyclical system review.	Jul/Aug			
Financial Regulations and Management	8	Regulations are in place, communicated and monitored	Sept/Oct			

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
		for compliance				
<b>Director Safety</b>						
Human Resources	10	Overview of service.	Oct/Nov			
Equality and Diversity	10	Review of progress and benchmarking against the Public Sector duty. Requested by management.	Jul/Aug			
Mansfield Crematorium	5	We will undertake our annual review of accounts.	April	April	May 2015	Completed
Gilstrap Accounts	1	We will undertake our annual review of accounts.	July			
Cattle Market	2	Annual audit of rental fee - additional work requested on 2013/14 figures.	Unplanned	May		Fieldwork ongoing.
<b>Key Projects</b>	<b>8</b>					
Council Offices – Vacation and New Build	8	Key, two year project. Advisory / gateway review – first gateway review.	Sept/Oct			
<b>Strategic and Emerging Risks</b>	<b>8</b>					
Strategic Risks	8	Review of monitoring arrangements and detailed review of one or more strategic risks.	Aug/Sept			
<b>Other relevant Areas</b>	<b>31</b>					
Newark and Sherwood Homes	28	Internal Audit Plan 2015/16	Various			Client briefs agreed. Additional work

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
						requested currently 8 days.
Follow-up of previous audit reports	3		Ongoing			
<b>Non-Audit</b>	<b>19</b>					
Advice & Liaison	5		Ongoing			
Annual Report	3		Ongoing	April	N/A	Completed
Audit Committee	5		Ongoing			
Contingency	6	8 days to allocate as necessary throughout the period, 2 days currently allocated to Cattle Market additional work allocated. 6 days remaining.	N/A	N/A	N/A	N/A
<b>Grand Total (Revised)</b>	<b>218</b>					

**ANNUAL INTERNAL AUDIT REPORT**

**REPORT PRESENTED BY: HEAD OF AUDIT AND RISK MANAGEMENT – AUDIT LINCOLNSHIRE**

**1.0 Purpose of Report**

1.1 To receive and comment upon the Annual Internal Audit Report 2014/15.

**2.0 Introduction**

2.1 The purpose of the annual internal audit report (**Annex A**) is to provide a summary of Internal Audit work undertaken during 2014/2015 to support the Annual Governance Statement by providing an opinion on the organisation's governance, risk management and internal control environment.

2.2 The Annual Internal Audit Report:-

- Includes an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and internal control environment.
- Discloses any qualifications to that opinion, together with the reasons for the qualification.
- Summarises audit work undertaken, including reliance placed on the work of other assurance bodies where applicable.
- Draws attention to any issues that are particularly relevant to the Annual Governance Statement.
- Summarises the performance of the internal audit function against its key performance measures.
- Comments on compliance with standards.

2.3 Whilst we cannot provide absolute assurance on the governance, risk and internal control environment we can provide reasonable assurance that it is working as intended.

2.4 The opinion should be considered as part of the process to prepare the Annual Governance Statement by the Audit and Accounts Committee and relevant Council officers.

**3.0 RECOMMENDATION**

**That the Audit & Accounts Committee consider and comment upon the annual internal audit report.**

**Background Papers**

Nil.

For further information please contact Lucy Pledge on 01522 553692.

David Dickinson  
Director of Resources



*Public Sector Auditing.... Private Sector Thinking*

# Newark and Sherwood District Council

Internal Audit Annual Report –





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Appendix 1- Internal Audit Assurances Given 2014/15

Appendix 2 - Quality Assurance Framework

### **Distribution List**

Chief Executive

Directors

External Audit

# Management Summary

## Purpose of Annual Report

- The Annual Internal Audit Report of Newark and Sherwood District Council aims to present a summary of the audit work undertaken over the past year. In particular:-
  - Include an opinion on the overall adequacy of and effectiveness of the governance framework and internal control system and the extent to which the Council relies on it;
  - Inform how the plan was discharged and the overall outcomes of the work undertaken;
  - Draw attention to any issues particularly relevant to the Annual Governance Statement.

## Opinion on the Governance Framework and Internal Control Environment

- For the twelve months ended 31 March 2015, based on the work we have undertaken and information from other sources of governance, my opinion on the adequacy and effectiveness of Newark and Sherwood's arrangements for governance, risk management and control is shown in **Figure 1** below:-

**Figure 1**

**Key**

**Red**      **Inadequate Performance** – Critical action required by management throughout the Council.

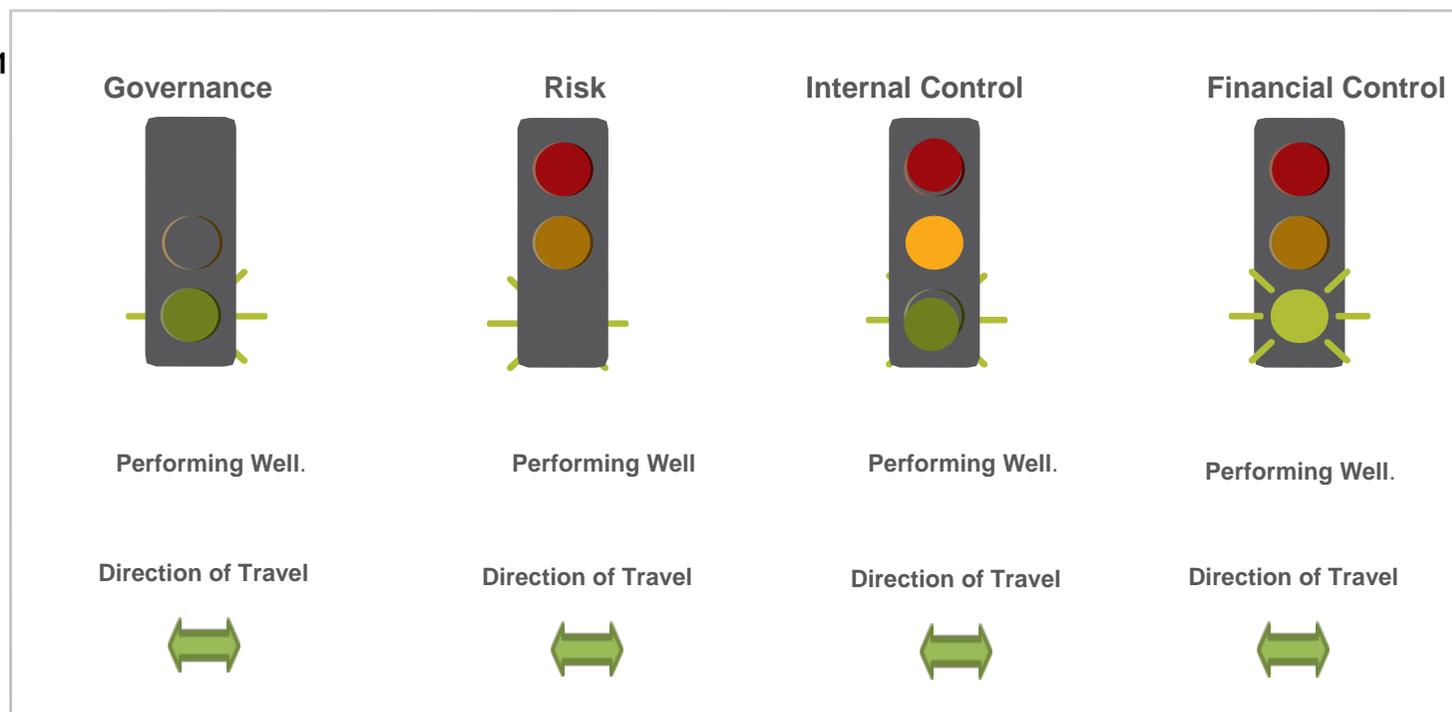
**Amber**    **Performing Adequately** – Some improvement required to manage a high risk in a specific business area and medium risks across the Council.

**Green**      **Performing Well** – No concerns that significantly affect the governance framework and successful delivery of the Council priorities

**Direction of Travel**

No change -stable      Improving      Reducing



## How we came to our opinion

**Governance** – *“If management is about running the business – Governance is about seeing that it is run properly”*

3. Local Government has been and will continue to undergo significant change. The way it operates and deliver services – either directly, with or through other organisations will provide challenges for managing risk, ensuring transparency and demonstrating accountability. The importance to aim for the standards of the best and ensuring governance arrangements should not only be sound but also seen to be sound has never been greater.
4. Good governance underpins everything the Council does and how it delivers services often comes under close scrutiny. It is therefore vital that resources focus on agreed policy and priorities; that there is sound and inclusive decision making with clear accountability for the use of those resources. This ensures that the Council achieves the desired outcomes for the people of Newark and Sherwood.
5. The Audit and Accounts Committee helps to ensure that these arrangements are working effectively. They regularly review the governance framework and consider the draft and final versions of the Annual Governance Statement.
6. We recently reviewed the Councils Corporate Governance arrangements through a self-assessment process and found the Council to have strong governance arrangements in place that conform to best practice guidance. The review provided substantial assurance.

7. Taking the above information into account we have assessed the governance framework as **green** – performing well.

## Risk and Internal Control

8. We took account of the outcome of our internal audit work during the year. Our work identified no areas where an 'inadequate' assurance opinion was given. We did however identify a number of areas where our assurance opinion on the activity identified some concerns on service delivery arrangements, management of risks, and operation of controls. These opinions were given at the point in time, before any recommendations were implemented and include:

### Empty Homes

Our audit identified that the Council is currently still in the process of developing systems and processes for identifying and bringing empty homes back into use. The Council's arrangements for the identification, selection and approval of empty properties to be allocated HCA funding are also yet to be finalised. Therefore there is the risk that the Council does not have effective and efficient procedures in place to achieve its objectives of bringing 8 empty homes back into use and HCA funding may be clawed back.

### Social Media

We found that whilst social media is used effectively in some areas the overall management arrangements need to be strengthened to ensure consistency and improve control including access to social media accounts. A corporate social media policy or guidance and improved performance monitoring would provide a greater level of assurance.

## Parking Income

The current collection and accounting arrangements for parking income do not sufficiently protect the Council from the risk of fraud or provide assurances that all income is collected. We found that staffing reductions have affected the Council's ability, in some areas, to consistently segregate duties and minimise the risk of loss or error. The current arrangements do not comply with Financial Procedure Rules.

## Cash Receipting – Application Review

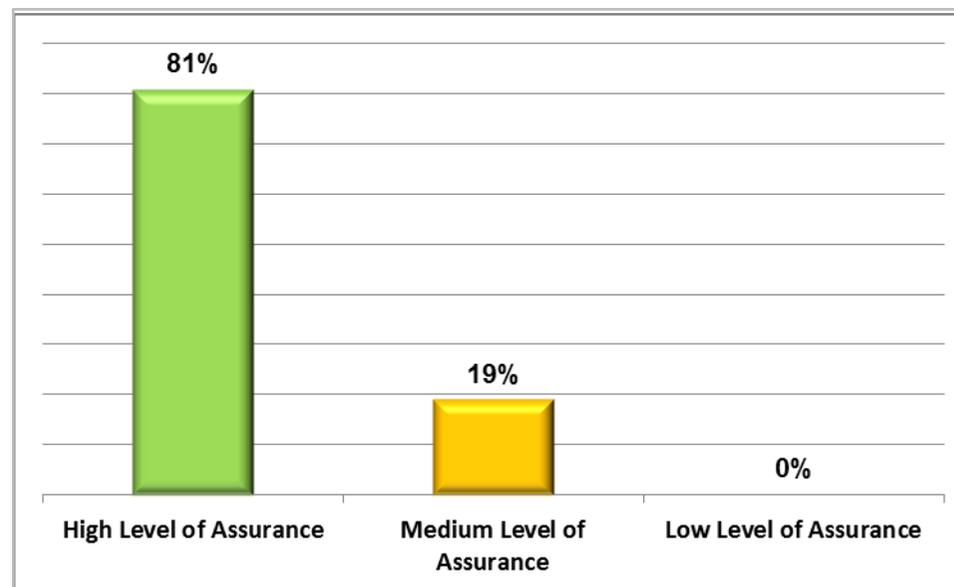
The audit review identified a number of areas where controls around access to the cash receipting system do not meet expected standards. These include:-

- Evidence of approval for the creation of new users
- Setting the minimum password length to comply with the corporate password protocol.
- Rationalising the number of system admin accounts.
- Ensuring the lock-out duration is compliant with PCI DSS v3.0.
- Improving the communication and clarification of responsibilities to ensure that all users are fully aware of their role and understand their responsibilities.

## Combined Status Report

9. The Council produced its Combined Assurance report in February 2015. **Figure 2** provides a summary of the overall assurance status on the Council's critical activities<sup>1</sup> - it shows that there are no areas identified where assurance is low.

**Figure 2 – Overall Assurance Status on Critical Activities**



10. Taking all of the above information into account we have assessed the internal control environment as **green** – performing well.

## Risk Management

11. The Audit and Accounts Committee continues to receive regular updates on how the Council manages its risks. The risk

<sup>1</sup> Those identified by senior management as having significant impact on the successful delivery of Council priorities or whose failure could result in significant damage to reputation, financial loss or impact on people.

management Policy is currently being reviewed although no major changes are thought to be required. The Strategic risks are reviewed at least annually by CMT.

- 12. On this basis we have assessed risk management as **green** – performing well.

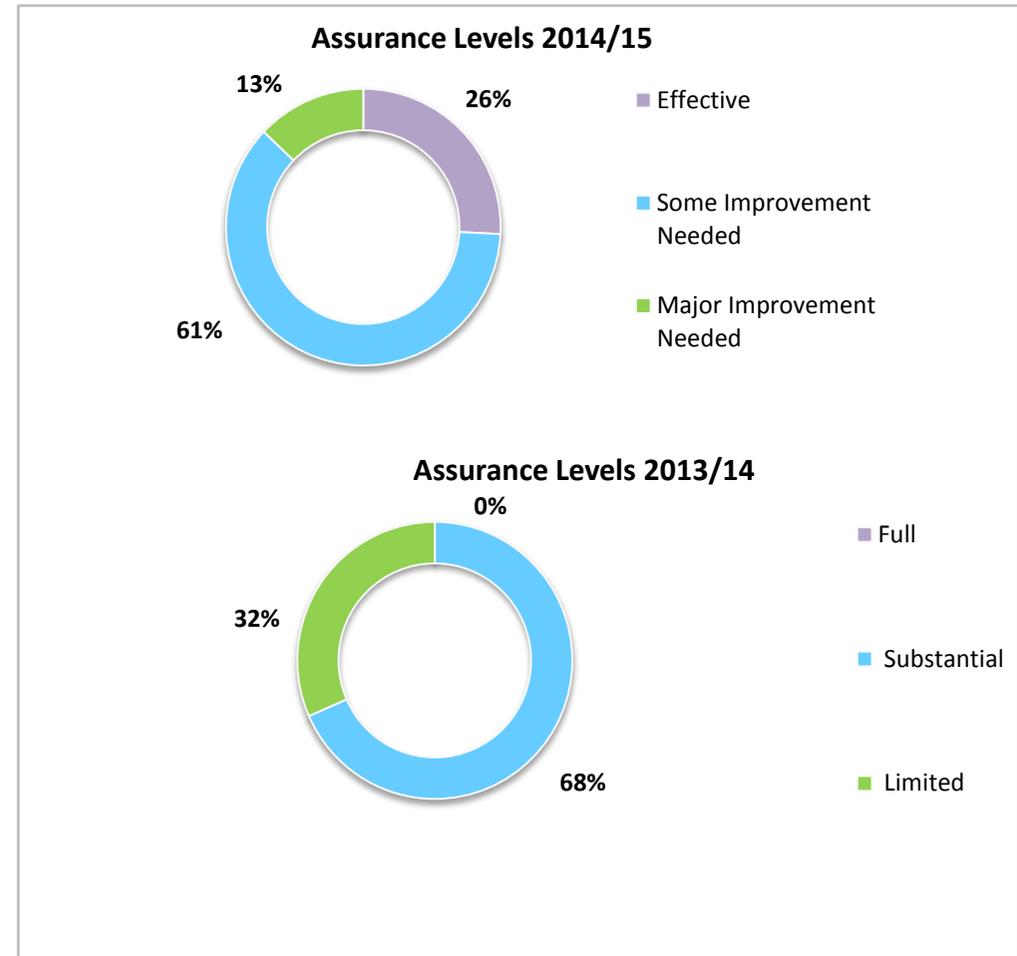
**Financial Control**

- 13. Our work provides an important assurance element to support the External Auditor’s opinion on the Council’s Statement of Accounts. During the year we reviewed:
  - Pensions
  - Treasury Management
  - General Ledger
  - Benefits
- 14. The Council has good financial management processes in place – that generally work well. On this basis we have assessed financial control as **green** – performing well.

**Scope of Work**

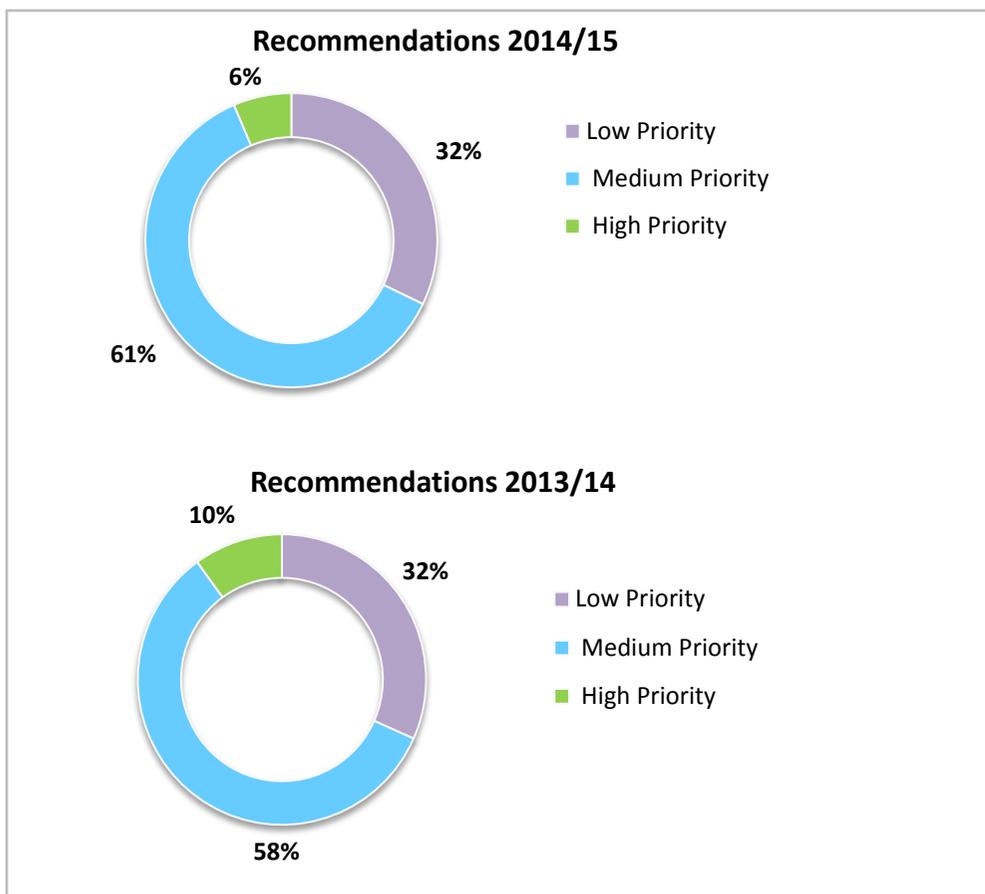
- 15. The charts in **Figure 3** shows the assurance opinions given in 2014/15 compared to those in 2013/14. Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application of the Council’s control environment.
- 16. We can see from the charts that the overall assurance levels have improved during 2014/15 with less major improvement needed. No areas were given an opinion of inadequate during the year. Details of systems reviewed can be found in Appendix 1.

**Figure 3 – Comparison of Assurances**



17. The charts in **Figure 4** show the comparison of internal audit recommendations made 2013/14 and 2014/15. Details of systems reviewed can be found in Appendix 1
18. We track the implementation of agreed management actions. Over the past year management have implemented **81%** of recommendations due by the 30<sup>th</sup> April 2015. Details of outstanding recommendations are shown in Appendix 1.

**Figure 4 – Recommendations Made**



## Delivery of internal audit plan 2013/14

19. The Audit and Accounts Committee approved the 2014/15 audit plan in February 2014. We have delivered **92%** of the revised plan.
20. Internal Audit's performance is measured against a range of indicators. The table below shows our performance on key indicators at the end of the year. We are pleased to report a good level of achievement against our targets:

Performance Indicator	Target	Actual @ 31/03/2015
Percentage of plan completed.	100%	92%
Percentage of key financial	100%	57%
Percentage of recommendations agreed.	100%	97%
Percentage of recommendations due implemented.	100% or escalated	81%
<b>Timescales:</b>		
Draft report issued within 10 working days of completing audit	100%	96% (Only 1 outside the target)
Final report issued within 5 working days of closure meeting / receipt of management responses.	100%	88% (3 outside target)
Period taken to complete audit within 2 months from fieldwork	80%	59%
Client Feedback on Audit	Good to	Good

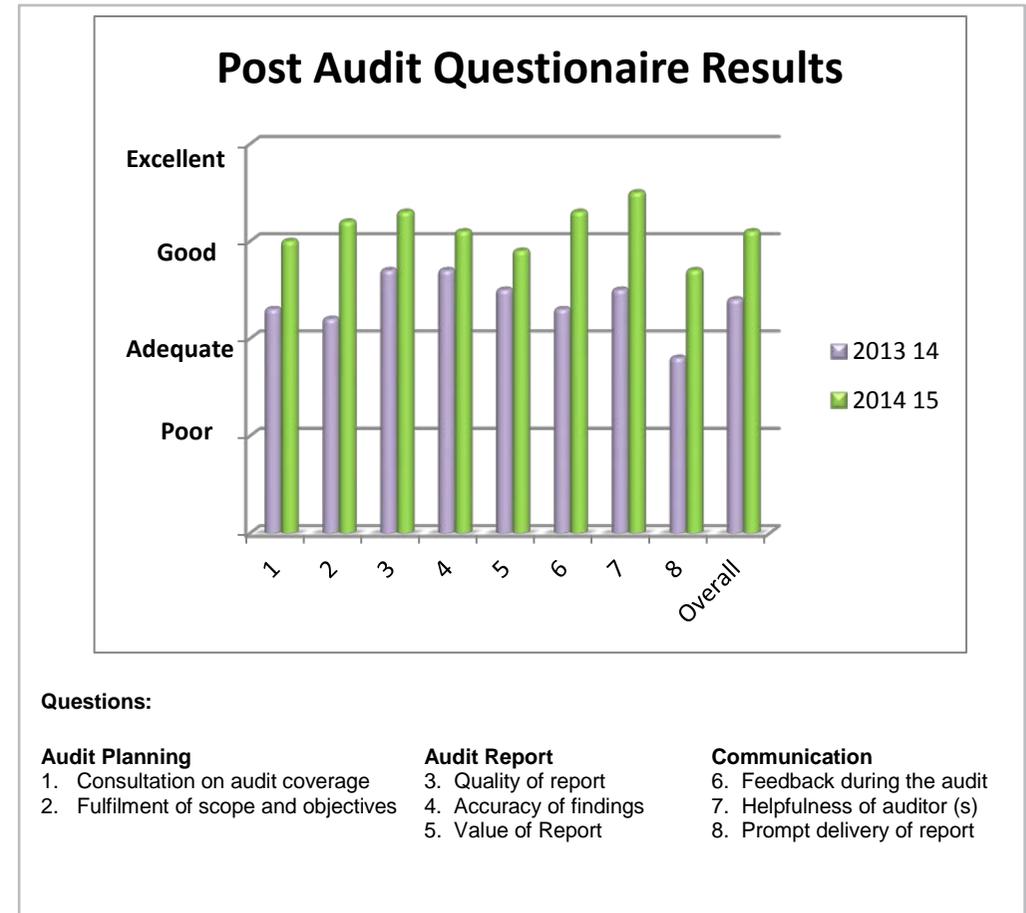
## Restrictions on Scope / Disagreements

21. In carrying out our work we identified no unexpected restrictions to the scope of our work. We have had difficulties in gaining access to staff which resulted in some delay or inability to deliver planned work within the expected timescales. This is a common issue with the delivery of our work.
22. To help address this issue we have changed the way we plan and schedule our work – we no longer have an annual plan. Audit areas identified via our risk based Internal Audit Strategy and are now scheduled on a six monthly basis with the first 6 months agreed and the second 6 months shown as an indicative plan when reported to the Audit and Accounts Committee. This means that we can be more flexible and reactive to issues which occur and ensure that the resources are used on audits of value.

## Effectiveness of Internal Audit

23. We regularly canvass opinions on audit planning, reports and communication from management responsible for activities under review. They score the effectiveness of our service as excellent, good, adequate or poor.
24. The table in **Figure 5** outlines the responses by management on our service. For 2014/15 there was a 72% questionnaire return rate, the overall average rating for the service was good.

Figure 5 – Client Feedback



## Quality Assurance

25. We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards. We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.
26. Our commitment to quality begins with ensuring that we recruit develop and assign appropriately skilled and experienced people to undertake your audits.
27. Our audit practice includes ongoing quality reviews for all our assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.
28. Our Quality Assurance Framework (**Appendix 2**) includes all aspects of the Internal Audit Activity – including governance, professional practice and communication. We are able to evidence the quality of our audits through performance and delivery of audits, feedback from our clients and an annual self-assessment.
29. There is a financial commitment for training and developing staff. Training provision is continually reviewed through the appraisal process and regular one to one meetings. A training programme has been developed to ensure that staff are kept up to date with the latest technical / professional information and to ensure that they are equipped with the appropriate skills to perform their role.
30. Audit Lincolnshire conforms to the UK Public Sector Internal Audit Standards. Our quality assurance framework helps us maintain a continuous improvement plan, which includes the following areas of development:
  - Obtain and share counter fraud risk assessment
  - Review practice manual
  - Ensuring contemporary reporting.
  - More effective client liaison arrangements with Senior Management Team.
  - Implement upgrade to audit software
  - Report writing
  - Further develop Audit Lincolnshire collaboration.
31. Although internal and external auditors carry out their work with different objectives in mind, many of the processes are similar and it is good professional practice that they should work together closely. Wherever possible, External Audit will place reliance and assurance upon internal audit work.



Appendix 1

Internal Audit Assurances Given 2014/15

Audit Area	Date	Assurance	Total High / Med Recs	Implem'd	High	Outstanding			Notes	Direction of Travel
						Medium	Low	Not Yet Due		
Development Control		Some Improvement*							Draft report	↑
Housing Strategy	Jan 2015	Some Improvement	4			2	2	2	Complete	↑
Community Safety									Cancelled	
Industrial Units		N/A							Complete VFM audit	
Safeguarding	Feb 2015	Some Improvement	10	2		2	2	6	Complete	↑
CCTV									In progress, delayed by illness of auditor	
Data Protection	March 2015	Some Improvement	7	1				6	Complete	↑
Community Groups	March 2015	Some Improvement	4	3		1	1		Complete	↑
Health & Safety	May 2015	Some Improvement	3					3	Complete	↑
Pensions	Oct	Effective	1	1					Complete	↕
General Contract Management		Some Improvement*							Final Report with CMT	
New Homes Bonus		N/A							Complete Highlight report	
Members Expenses	Oct	Effective	2	1				1	Complete	↔
Revs & Bens									Postponed to 2015/16	↔
Financial Ledger	Dec 2014	Effective	2	1				1	Complete	↔
Financial Systems									In progress. Delays due to client availability and priority work.	↔
Insurance	May 2015	Effective	3	1				2	Complete	↑
Palace Theatre	May 2015	Some Improvement*							Final Report with CMT	↑

Appendix 1

Internal Audit Assurances Given 2014/15

Audit Area	Date	Assurance	Total High / Med Recs	Implem'd	Outstanding			Not Yet Due	Notes	Direction of Travel
					High	Medium	Low			
Leisure Centres		Some Improvement*							Fieldwork complete	
Mansfield Crematorium	April 2014	N/A							Complete	
Gilstrap Accounts	July 2014	N/A							Complete	
Cattle Market Rent		N/A							In progress. Delay in receiving information	
Leisure Centre Project Management		Effective*							Draft Report	
Print Project	April	Some Improvement	6	1		1	1	4	Complete	↑
Partnership Working									Postponed to 2015/16	
Mobile Devices									Draft Report	
Uniform System									Fieldwork Complete	
Disaster Recovery									Fieldwork Complete	
Transparency	April 2015	Effective	2					2	Complete	↑
Counter Fraud	Jan 2015	Effective	2					2	Complete	↔
Hawtonville Neighbourhood Study	Jan 2015	Some Improvement	2			2	2		Complete	↑
Missing Receipt Book	Dec 2015	N/A							Complete	
<b>2013/14 audits completed in 2014/15</b>										
New/Affordable/Empty Homes	July 2014	Limited	3	3					Complete	None Given
Southwell Leisure Centre	June 2014	Substantial	5	5					Complete	None Given
Use of Social Media	July 2014	Limited	7	7					Complete	↑
Benefits	June 2014	Substantial	1	1					Complete	↑
Car Parks and Markets	June 2014	Limited	7	7					Complete	↔



Audit Area	Date	Assurance	Total High / Med Recs	Implem'd	High	Outstanding			Notes	Direction of Travel
						Medium	Low	Not Yet Due		
Cash Receipting	July 2014	Limited	5	2		3	3		Complete	↑
ICT Partnership Project	Sept 2014	Some Improvement	6	2				4	Complete	↑
ICT Infrastructure	Dec	Follow Up	0						Complete	↑
Corporate Governance	June 2014	Substantial	3	2				1	Complete	↑
Corporate Complaints	June 2014	Substantial	2					2	Complete	↑
Benefits - Welfare Reform	June 2014	Substantial	2	2					Complete	↑
Treasury Management	July 2014	Some Improvement	4	3				1	Complete	↔
Project Management - General	February 2015	Some Improvement	1					1	Complete	None Given
Civil War Centre	October 2014	Effective	1	1					Complete	None Given
<b>Grand Total Outstanding</b>			<b>95</b>	<b>46</b>	<b>0</b>	<b>11</b>	<b>11</b>	<b>38</b>		

\* Indicative Assurance as reports not yet finalised



## Appendix 1 - Internal Audit Assurances Given 2014/15

Total High / Medium 2014/15 Recs Made	= 95	95
Total Low priority Recs Made	= 45	(not inc Low)
Total not yet due	= 38	38
Net	= 102	57
Implemented in full	= 91	46
% Implemented	= 89%	81% (H & M)

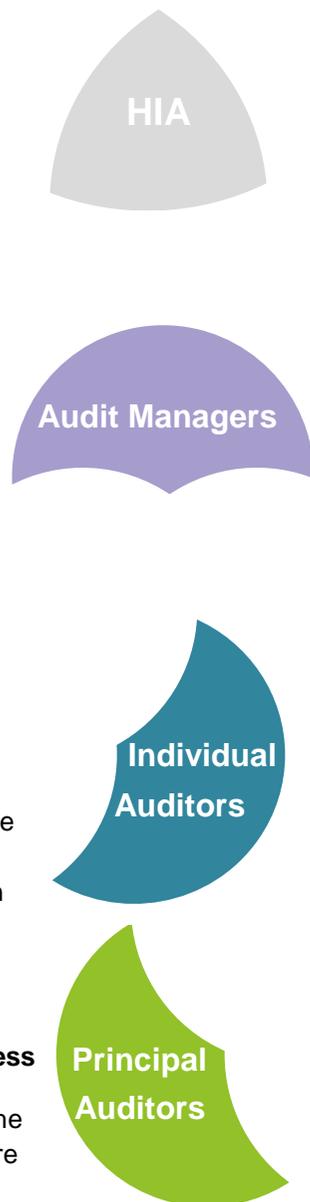




**Quality Assurance**  
Quality outcomes / process designed to deliver a consistently high quality audit service to our clients - fit for purpose / meet client expectations / conform to PSIAS<sup>&</sup>

**Quality Plan**  
Quality improvement plan - HIA reporting to Audit Committee on the outcome of Quality Assurance – with improvement action plan and any significant non-conformance included in the Annual Report / Annual Governance Statement

**Supervision & Review**  
**Ongoing monitoring – quality built into the audit process**  
Quality checks and oversight are undertaken throughout the audit engagement ensuring that processes and practice are consistently applied and working well.



**Annual self- assessment**

- Head of Internal Audit - develop & maintain Quality Assurance Improvement Programme (QAIP) & improvement action plan
- Focus on evaluating conformance with Internal Audit Charter, definition of Internal Audit, Code of Ethics & the Standards
- Arrange an External Assessment – co-ordinated with Audit Committee (planned for 2015)

**Periodic quality assurance assessments**

- Obtain periodic assurance that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Provide HIA with quarterly highlight reports on outcome of reviews

- Conduct all audit engagements in accordance with audit practice standards / PSIAS
- Behave at all times in accordance with the Code of Ethics / Code of Conduct
- Promote the standards and their use throughout the Internal Audit activity
- Commitment to delivering quality services

- Obtain on-going assurance that that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Undertake engagement supervision and review

**PROPOSED TRAINING SESSION AND KNOWLEDGE & SKILLS AUDIT FOR MEMBERS OF THE AUDIT & ACCOUNTS COMMITTEE**

**1.0 Purpose of Report**

- 1.1 To advise Members of a proposed training session to cover their role in approving the Statement of Accounts.
- 1.2 To present a skills questionnaire to Members of the Audit & Accounts Committee to be used to determine future training needs.

**2.0 Proposed Training Session**

- 2.1 The remit of the Audit & Accounts Committee includes the requirement to approve the Council's annual Statement of Accounts.
- 2.2 It is a statutory requirement that the Statement of Accounts must be approved and published by 30<sup>th</sup> September each year. The financial statements are detailed and complex, so to give Members confidence in approving the Statement of Accounts, training is provided each year to assist understanding. It is proposed that a training session is provided prior to the September meeting of the Committee. The suggested alternative dates for this training session are:

Monday 24<sup>th</sup> August  
Tuesday 25<sup>th</sup> August  
Wednesday 26<sup>th</sup> August  
Tuesday 1<sup>st</sup> September  
Wednesday 2<sup>nd</sup> September

The training can be provided at either 9.30 am or 2pm on any of these dates and will last from one and a half to two hours.

**3.0 Knowledge & Skills Assessment**

- 3.1 To ensure that Members of the Audit & Accounts Committee have the necessary understanding to undertake all of the tasks in the Committee's remit, it is proposed to undertake a Knowledge and Skills Assessment.
- 3.2 A questionnaire has been created using the Knowledge and Skills Framework outlined in CIPFA's Guidance for Audit Committees. The questionnaire is in three sections. The first section assesses core knowledge areas necessary for Audit & Accounts Committee members. The second section assesses core skills which Committee members should possess, and the third looks at optional specialist areas of knowledge, that could be useful if Members possess them. The questionnaire is attached at Appendix A.
- 3.3 It is requested that all members of the Committee complete the Knowledge and Skills questionnaire and return it to the Business Manager Financial Services or the Director -

Resources by 10<sup>th</sup> July 2015. If the questionnaire has been completed before and nothing has changed, please send a response indicating that this is the case.

3.4 The responses to the questionnaire will be used to determine what further training is necessary to assist Members to fulfil their roles on the Audit & Accounts Committee. Questionnaires can be returned by email, or by hand or post if Members prefer.

3.5 The results will be brought back to the September meeting of the Committee with a training plan.

#### **4.0 Equalities Implications**

4.1 There are no equalities implications. All Members of the Committee will be invited to attend all training sessions.

#### **5.0 Impact on Budget/Policy Framework**

5.1 The proposed training session to cover the Statement of Accounts can be provided within existing budgets.

5.2 Any future budget requirement will be dependent on what further training needs are identified. Resources are set aside for training costs.

#### **7.0 RECOMMENDATION(S)**

That the Committee:

- a) Determine the date that the training session relating to the Statement of Accounts should be provided;
- b) Agree that individual Committee Members complete the Knowledge and Skills questionnaire (or confirm that there are no changes if this is appropriate), and return it to the Business Manager Financial Services or the Director - Resources by 10<sup>th</sup> July 2015.

Reason for Recommendation(s)

To ensure that Members of the Audit & Accounts Committee are equipped with the knowledge and skills necessary to undertake their role.

#### **Background Papers**

Remit of the Audit & Accounts Committee

CIPFA's Guidance for Audit Committees

For further information please contact Nicky Lovely – Business Manager Financial Services on Ext 5317

David Dickinson

Director - Resources

APPENDIX A

**Audit & Accounts Committee Members - Knowledge & Skills Audit**

**CORE AREAS OF KNOWLEDGE**

Core Knowledge Area	Knowledge required	Knowledge possessed Y/N?	Needed for	Training Last Provided
Organisational knowledge	1 Overview of the governance structures of the authority and of decision-making processes		Review of Annual Governance Statement, Audit Reports, Risk Registers	
Audit Committee Roles & Functions	2 Knowledge of the objectives and major functions of the authority Understanding of the Committee's role within the governance structure		Prioritising the Committee's work in order to ensure it discharges its responsibilities under the terms of reference, and does not overlap the work of others	24/06/2015
Governance	1 Familiarity with the Terms of reference and accountability arrangements 2 Knowledge of the purpose and role of the audit committee The six principles of the CIPFA/SOLACE Good Governance framework and the requirements of the Annual Governance Statement		Review of Annual Governance Statement	
Values of good governance	1 Statement 2 Knowledge of the local code of governance			
Internal Audit	1 Knowledge of The Seven Principles of Public Life Knowledge of the authority's key arrangements to uphold ethical standards for members and staff 2 standards for members and staff 3 Knowledge of the authority's whistle-blowing arrangements		Review of Annual Governance Statement	
Internal Audit	1 Awareness of the principles of the Public Sector Internal Audit Standards and Local Government Advisory Note Knowledge of the arrangements for delivery of the internal audit service		-Oversight of the internal audit function; Review of assurances received in audit reports and the annual audit report; -Review of annual audit plan	- 21/01/15 (Review of Effectiveness of the Internal Audit Function)
Financial Management & Accounting	1 Awareness of the financial statements the authority must produce and the principles to be followed 2 Understanding of good financial management principles		-Review of annual financial statements -Receiving annual external audit report and opinion -Reviewing audit recommendations relating to financial management and control	- TBA
External Audit	3 Knowledge of the role of the Chief Financial Officer as required by CIPFA and how the authority meets the requirements 1 Knowledge of role and functions of the external auditor and who currently undertakes the role 2 Knowledge of key reports and assurances that external audit will provide		-Monitoring external audit recommendations; -Monitoring relationship between external auditor, the authority, internal audit; Support the delivery of an effective service	-
Risk Management	3 Knowledge about arrangements for appointment of auditors and quality monitoring 1 Understanding the principles of risk management including linkage to good governance and decision-making 2 Knowledge of the authority's risk management policy and strategy 3 Understanding risk governance arrangements including the role of the committee		-In review of Annual Governance Statement, the committee will consider the robustness of the authority's risk management arrangements; -Review of risk-based annual audit plan; Review of foreword to the accounts; Review of risk reports and action plans to ensure risk management processes are being followed	- 25/11/2011
Counter-Fraud	4 Awareness of the major risks the authority faces 1 Understanding of the main areas of fraud risk within the authority 2 Knowledge of the principles of good fraud risk management practice		-Review of fraud strategy and reports of effectiveness of the strategy; Review of Annual Governance Statement	- 10/09/2014
Treasury Management	3 Knowledge of the authority's arrangements for tackling fraud 1 Regulatory requirements applying to treasury management 2 Understanding of treasury risks 3 The authority's treasury management strategy The authority's policies and procedures in relation to treasury management 4 management		Overview and scrutiny of treasury management	05/11/2014

**Audit & Accounts Committee Members - Knowledge & Skills Audit**

**CORE SKILLS AREAS**

Core Skills	Key Elements	Knowledge possessed Y/N?	Needed for
Strategic thinking and understanding of materiality	Able to focus on key issues and overall position rather than being sidetracked by detail		To pitch reviews of reports at an appropriate level to avoid spending too much Committee time on detail
Questioning and constructive challenge	Able to frame questions that draw out relevant facts and details Challenging performance and seeking explanations while avoiding hostility or grandstanding		Understanding reasons for weaknesses identified in audit reports
Focus on improvement	Ensuring there is a clear plan of action and allocation of responsibility		Ensuring solutions are found Where errors or control failures have occurred, the Committee needs to seek assurances that appropriate action will be taken
Able to balance practicality against theory	Able to understand practical implications of recommendations and how they might work in practice		Seeking assurance that planned actions are realistic
Clear communication skills and focus on the needs of users	Support the use of plain English in communications		Ensuring that external documents are well-written for a non-expert audience
Objectivity	Evaluate information on the basis of evidence presented and avoid bias or subjectivity		Weighing up different views about the significance of risk and the appropriate control response
Meeting management skills	Chair the meetings effectively, summarise issues raised, ensure all participants able to contribute, focus on outcomes and actions from the meeting		Ensuring meetings stay on track and address the items on the agenda. These skills desirable for all committee Members

**Audit & Accounts Committee Members - Knowledge & Skills Audit**

**OPTIONAL SPECIALIST KNOWLEDGE** It is accepted in practice that it is unlikely that Members will meet these criteria, especially under a Committee system where political balance must be achieved.

<b>Core Knowledge Area</b>	<b>Knowledge required</b>	<b>Knowledge possessed Y/N?</b>	<b>Use</b>
Accountancy	Professional qualification in accountancy		-Review of financial statements; -Review of financial risks; -Understanding results of external audit work
Internal Audit	Professional qualification in internal audit		-Annual review of effectiveness of internal audit function;
Risk Management	1 Risk management qualification 2 Practical experience of applying risk management Knowledge of risks and opportunities associated 3 with major areas of activity		-Oversight of risk management practice; -Reviewing risk registers
Governance & Legal	Legal qualification and knowledge of specific areas (eg. Constitutional arrangements, data protection, contract law)		-Overview of legal risks and governance issues
Service knowledge relevant to the authority's functions	1 Direct experience of managing or working in a service area 2 Previous Scrutiny Committee experience		-Understanding operational context of reports
Programme & Project Management	Project management qualification		-Review of project risk management, or internal audit project reviews  -Review of IT governance arrangements or internal audit reports relating to IT
IT Systems & IT Governance	Management or development work in IT		

**WORK PLAN**

<b>Meeting at which action to be undertaken</b>	<b>Subject and Brief Description</b>	<b>Who will present the report</b>	<b>Intended Outcome</b>
<b>8<sup>th</sup> April 2015</b>	Statement of Accounting Policies	Nicola Pickavance	Gain assurance that the Council has appropriate accounting policies in place that reflect the way items are treated in the annual Statement of Accounts
	External Audit Certification of Grant Claims and Returns	John Cornett/Helen Brookes (KPMG)	Gain assurance that claims and returns have been managed appropriately
	External Audit Plan for 2014/15 Accounts and VFM Conclusion	John Cornett/Helen Brookes (KPMG)	Ensure that an appropriate plan is in place which will provide assurance on the Council's Statement of Accounts and arrangements to achieve Value for Money
	Counter-Fraud Activity Report	Nicky Lovely	Gain assurance that counter-fraud activity is appropriately targeted and effective
	Responses to questions raised at previous meeting:	Nicky Lovely	
	Audit Committee Work Programme	David Dickinson	
<b>24<sup>th</sup> June 2015</b>	Terms of Reference of the Audit & Accounts Committee	David Dickinson	Ensure that Committee members are aware of the role of the Committee
	Treasury Management Outturn Report	Tara Beesley	Gain assurance that treasury management activities were in line with the Treasury Management Strategy for the past financial year
	IAS 19 Pension Assumptions	Nicola Pickavance	Gain assurance that the pension assumptions used by the actuary to produce the figures in the Statement of Accounts are appropriate for the Council's circumstances
	Internal Audit Progress Report	Lucy Pledge/John Sketchley (Audit Lincs)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate

			identified risks
	Annual Internal Audit Report	Lucy Pledge/John Sketchley (Audit Lincs)	Gain assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that future risks are identified and that governance arrangements support the achievement of the Council's objectives
	Knowledge and skills assessment for Committee members	Graeme Black/David Dickinson	Ensure that the Committee has the appropriate knowledge and skills to fulfil its role
	Audit Committee Work Programme	David Dickinson	
<b>TBA</b>	Training session on Statement of Accounts	Nicola Pickavance	Ensure that the Committee has the appropriate skills to be able to review the Council's Statement of Accounts and consider the integrity of financial reporting
<b>9<sup>th</sup> September 2015</b>	External Audit Annual Governance Report	John Cornett/Helen Brookes	To gain assurance that the Council's Statement of Accounts are a true and fair representation of the Council's financial performance for the previous financial year and financial standing as at the Balance Sheet date, and that the Council has effective arrangements for achieving Value for Money
	Statement of Accounts & Annual Governance Statement	David Dickinson / Nicola Pickavance	Gain assurance on the integrity of financial reporting By considering the assurance gained through its activities throughout the previous year, to give assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that future risks are identified, and that arrangements in place support the achievement of the Council's objectives
	Internal Audit Progress Report	Lucy Pledge/John Sketchley (Audit Lincs)	Understand the level of assurance for audited activities and ensure management

			progress recommended actions to mitigate identified risks
	Anti-Fraud & Corruption Strategy and Guidance for Dealing with Irregularities		
	Fraud Risk Assessment	Nicky Lovely	Gain assurance that the Council understands its fraud risks and that actions are in place to address them.
	Proposals for Future Training for the Committee	Nicky Lovely	
	Responses to questions raised at previous meeting:	Nicky Lovely	
	Audit Committee Work Programme	David Dickinson	
<b>4<sup>th</sup> November 2015</b>	Treasury Performance half-yearly report	Tara Beesley	Gain assurance that treasury management activities are in line with the current Treasury Management Strategy
	Internal Audit Progress Report	Lucy Pledge/John Sketchley (Audit Lincs)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Annual Audit Letter	John Cornett/Helen Brookes (KPMG)	Gain assurance on the Council's Statement of Accounts and arrangements for achieving Value for Money
	External Audit Certification of Claims & Returns	John Cornett (KPMG)	Gain assurance that claims and returns are managed appropriately
	Counter-Fraud Activity Report	Nicky Lovely	Gain assurance that counter-fraud activity is appropriately targeted and effective
	Initiating the Annual Review of the Effectiveness of the Internal Audit Function	David Dickinson/Nicky Lovely	To consider whether the Internal Audit function is operating effectively and produce an action plan to address any required improvements
	Responses to questions raised at previous meeting	Nicky Lovely	
	Audit Committee Work Programme	David Dickinson	
<b>10<sup>th</sup> February 2016</b>	Treasury Performance	Tara Beesley	Gain assurance that treasury management

			activities are in line with the current Treasury Management Strategy
	Draft Treasury Strategy	Tara Beesley	Gain assurance that risks in relation to the Council's treasury management activities are to be managed in accordance with need and the Council's risk appetite
	Internal Audit Progress Report	Lucy Pledge/John Scott (Audit Lincs)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Combined Assurance Report	Lucy Pledge/John Scott (Audit Lincs)	Understand the level of assurance for critical systems, due diligence activities, key risks and projects
	Draft Annual Internal Audit Plan 2016/17	Lucy Pledge/John Scott (Audit Lincs)	Ensure that an appropriate plan is in place which will provide assurance on the Council's activities
	Results of the Review of the Assessment of Effectiveness of the Internal Audit Function	Nicky Lovely	Gain assurance that the Internal Audit function is operating effectively and that an action plan is in place to address any required improvements
	Review of significant internal control issues highlighted in the Annual Governance Statement	David Dickinson	Gain assurance that the Council is making progress on any governance issues that were raised in the AGS
	Risk Management report	Lisa Lancaster	Gain assurance that appropriate risk management arrangements are in place
	Strategic Risk Register	Lisa Lancaster	Gain assurance that the Council considers its strategic risks and that these are being managed effectively
	Responses to questions raised at previous meeting	Nicky Lovely	
	Audit Committee Work Programme	David Dickinson	
<b>April 2016 - TBC</b>	Statement of Accounting Policies	Nicola Pickavance	Gain assurance that the Council has appropriate accounting policies in place that reflect the way items are treated in the annual Statement of Accounts

	IAS19 Pension Assumptions	Nicola Pickavance	Gain assurance that the pension assumptions used by the actuary to produce the figures in the Statement of Accounts are appropriate for the Council's circumstances
	External Audit Plan for 2015/16 Accounts and VFM Conclusion	John Cornett/Helen Brookes (KPMG)	Ensure that an appropriate plan is in place which will provide assurance on the Council's Statement of Accounts and arrangements to achieve Value for Money
	Counter-Fraud Activity Report	Nicky Lovely	Gain assurance that counter-fraud activity is appropriately targeted and effective
	Responses to questions raised at previous meeting:	Nicky Lovely	
	Audit Committee Work Programme	David Dickinson	

**WORK PLAN**

<b>Meeting at which action to be undertaken</b>	<b>Subject and Brief Description</b>	<b>Who will present the report</b>	<b>Intended Outcome</b>
<b>8<sup>th</sup> April 2015</b>	Statement of Accounting Policies	Nicola Pickavance	Gain assurance that the Council has appropriate accounting policies in place that reflect the way items are treated in the annual Statement of Accounts
	External Audit Certification of Grant Claims and Returns	John Cornett/Helen Brookes (KPMG)	Gain assurance that claims and returns have been managed appropriately
	External Audit Plan for 2014/15 Accounts and VFM Conclusion	John Cornett/Helen Brookes (KPMG)	Ensure that an appropriate plan is in place which will provide assurance on the Council's Statement of Accounts and arrangements to achieve Value for Money
	Counter-Fraud Activity Report	Nicky Lovely	Gain assurance that counter-fraud activity is appropriately targeted and effective
	Responses to questions raised at previous meeting:	Nicky Lovely	
	Audit Committee Work Programme	David Dickinson	
<b>24<sup>th</sup> June 2015</b>	Terms of Reference of the Audit & Accounts Committee	David Dickinson	Ensure that Committee members are aware of the role of the Committee
	Treasury Management Outturn Report	Tara Beesley	Gain assurance that treasury management activities were in line with the Treasury Management Strategy for the past financial year
	IAS 19 Pension Assumptions	Nicola Pickavance	Gain assurance that the pension assumptions used by the actuary to produce the figures in the Statement of Accounts are appropriate for the Council's circumstances
	Internal Audit Progress Report	Lucy Pledge/John Sketchley (Audit Lincs)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate

			identified risks
	Annual Internal Audit Report	Lucy Pledge/John Sketchley (Audit Lincs)	Gain assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that future risks are identified and that governance arrangements support the achievement of the Council's objectives
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<b>4<sup>th</sup> November 2015</b>	Treasury Performance half-yearly report	Tara Beesley	Gain assurance that treasury management activities are in line with the current Treasury Management Strategy
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