Nottinghamshire County Council

Audit Committee

Wednesday, 01 April 2015 at 10:30

County Hall, County Hall, West Bridgford, Nottingham, NG2 7QP

AGENDA

Notes

(1) Councillors are advised to contact their Research Officer for details of any Group Meetings which are planned for this meeting.

(2) Members of the public wishing to inspect "Background Papers" referred to in the reports on the agenda or Schedule 12A of the Local Government Act should contact:-

Customer Services Centre 0300 500 80 80

(3) Persons making a declaration of interest should have regard to the Code of Conduct and the Council's Procedure Rules. Those declaring must indicate the nature of their interest and the reasons for the declaration.

Councillors or Officers requiring clarification on whether to make a declaration of interest are invited to contact Sarah Ashton (Tel. 0115 977 3962) or a colleague in Democratic Services prior to the meeting.

(4) Councillors are reminded that Committee and Sub-Committee papers, with the exception of those which contain Exempt or Confidential Information, may be recycled.

(5) This agenda and its associated reports are available to view online via an online calendar - http://www.nottinghamshire.gov.uk/dms/Meetings.aspx

Nottinghamshire County Council

minutes

Meeting	AUDIT COMMITTEE
Date	3 December 2014 (commencing at 10.30am)

membership
Persons absent are marked with `A'

COUNCILLORS

Keith Walker (Chairman)
Sheila Place (Vice-Chairman)

Reg Adair		David Kirkham
John Clarke		Darrell Pulk
Stephen Garner	A	Ken Rigby
John Handley		

ALSO IN ATTENDANCE

Neil Bellamy - KPMG LLP

OFFICERS IN ATTENDANCE

Sarah Ashton - Policy, Planning and Corporate Services

Nigel Stevenson)
John Bailey)
Clare Winter) Environment and Resources Department
Glen Bicknell)
Rob Disney)

PERMANENT MEMBERSHIP CHANGE

The following permanent change of membership was reported to the meeting:

- Councillor Stephen Garner replaced Councillor Joyce Bosnjak.

MINUTES OF THE LAST MEETING HELD ON 3 SEPTEMBER 2014

The minutes of the last meeting of the Committee held on 3 September 2014, having been circulated, were confirmed and signed by the Chair.

APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor Rigby (other).

DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS

None

INTERNAL AUDIT PROGRESS REPORT – 1st APRIL 2014 TO SEPTEMBER 2014

John Bailey (Head of Internal Audit) presented the internal audit progress report highlighting any key issues raised for the work carried out in the first half of 2014/15 financial year.

John informed Members that there was a typing error, Financial Comments (JMB 29/10/13) should read:
The net budgeted cost for Internal Audit for 2014/15 is £368k. This is on target at the current time

RESOLVED 2014/12

That the Internal Audit Progress Report, 1st April 2014 to September 2014 with the amended Financial Comments be noted.

REVISED COUNTER-FRAUD AND COUNTER-CORRUPTION POLICY AND STRATEGY, AND FRAUD RESPONSE PLAN

Rob Disney (Audit Team Leader) presented the Revised Counter-fraud and Counter-corruption Policy and Strategy, along with a Fraud Response Plan.

Members discussed changes to Counter Fraud & Counter Corruption Policy & Strategy.
Appendix 1, 3.2 add S151 Officer

And the Fraud Response Plan
3.7 add Corporate Leadership Team (CLT)
3.8 add 'Monitoring Officer to report back to the Group Leader'
.
RESOLVED 2014/13

That an updated Revised Counter-fraud and Counter-corruption Policy and Strategy, and Fraud Response Plan be presented to a future meeting.

LIMITED ASSURANCE FOLLOW-UP AUDIT REPORT – COUNCIL WIDE PROCUREMENT

John Bailey (Head of Internal Audit) presented the limited assurance follow-up audit report on Council wide procurement.

RESOLVED 2014/14

That the proposed actions to be taken to fully implement the outstanding audit recommendations be noted.

EXTERNAL AUDIT – ANNUAL AUDIT LETTER 2013 / 14

Neil Bellamy (KPMG LLP) presented the external audit, annual audit letter 2013/14 report.

Neil explained that Teachers Pensions were left to each authority to give an independent audit. This was completed outside of the normal audit time and would be reported to a future meeting.

.

RESOLVED 2014/15

That the External Auditor's Annual Audit Letter 2013/14 be noted.

WORK PROGRAMME

John Bailey (Head of Internal Audit) stated that the Checklist for Fraud, summary of regulations, the Revised Counter-fraud and Counter-corruption Policy and Strategy, and Fraud Response Plan would be added to the work programme.

Neil Bellamy (KPMG) informed Members that Teachers Pensions Audit would be available for the April 2015 Committee meeting.

RESOLVED: 2014/16

That the Committee's work programme be updated with the addition of the Checklist for Fraud, summary of regulations, the Revised Counter-fraud and Counter-corruption Policy and Strategy, and Fraud Response Plan and Teachers Pensions Audit.

EXCLUSION OF THE PUBLIC

RESOLVED: 2014/17

That the public be excluded from the remainder of the meeting on the grounds that discussions are likely to involve the disclosure of exempt information described in paragraph 3 of the Local Government (Access to Information) (Variation) Order 2006 and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

EXEMPT APPENDIX TO LIMITED ASSURANCE FOLLOW-UP AUDIT REPORT – COUNCIL WIDE PROCUREMENT

RESOLVED: 2014/18

That the information in the exempt appendix to the report be noted.

The meeting closed at 11.05 am

CHAIRMAN

Nottinghamshire County Council

Report to Audit Committee

1 April 2015

Agenda Item: 4

REPORT OF SERVICE DIRECTOR, FINANCE AND PROCUREMENT

INTERNAL AUDIT PLAN – 2015/16

Purpose of the Report

1. To inform Members of the proposed Internal Audit Plan for the 2015/16 financial year.

Information and Advice

2. Internal Audit is defined as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

3. The Public Sector Internal Audit Standards require the chief audit executive to establish a risk based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals. As part of the planning process, account has been taken of external sources of assurance, including work by Ofsted, the Care Quality Commission and external audit. Where audits have been planned, pre-audit work will also include discussion with the relevant managers over sources of assurance that can be relied upon to prevent duplication.

4. The Authority's Strategic Plan 2014-2018 sets out our promise to the people of Nottinghamshire; our priorities for the next four years and how we aim to support the people of our county to be aspirational, independent and to share with us responsibility for the future. The vision for Nottinghamshire is to be a better place to live, work and visit.

   The Authority's priorities are:-

   Supporting safe and thriving communities
   Protecting the environment
   Supporting economic growth and employment
   Providing care and promoting health
   Investing in our future

5. The attached Audit Plan sets out the proposed coverage of the Authority's systems and procedures which deliver the Authority's priorities, for the period 2015/16. The Plan represents the Section's assessment of the key areas that need to be audited in order to satisfy the Authority's statutory responsibility to undertake an adequate and effective internal audit of its accounting records and its system of internal control.

6. Discussions about the content of the Audit Plan have been held between January and March at departmental leadership teams. As part of this, more detailed one-to-one discussions have taken place with Service Directors. The Audit Plan is implemented flexibly, and will continue to change to ensure that any emerging priorities during the year are addressed.

7. The role of Internal Audit is to provide management with an objective assessment of whether its systems and controls are working properly. It provides an independent and continuous appraisal of the Authority's activities and in particular focuses on the internal controls established by the organisation's managers. The Section's aim is to complete the programme of planned work in order to express an overall view on the adequacy and effectiveness of the Authority's internal control systems.

8. This work is important in enabling the County Council's External Auditors to form a view on the overall adequacy of the Council's financial controls, which in turn supports their assessment of whether or not the County Council's annual statement of accounts gives a "true and fair view". The work is also a key contributory factor in the preparation of the Council's Annual Governance Statement.

9. The Plan has been compiled in accordance with the Public Sector Internal Audit Standards, which came into force in 2013. A detailed breakdown of the plan is shown in the attached appendices, and is summarised in the table below.

Table 1: Summary of Internal Audit Plan for 2015/16

		Number of Audits			
Department	**Days**	**High Risk**	**Med Risk**	**Low Risk**	**Total**
Cross-cutting	305	10	-	-	10
Children, Families and Cultural Services (excluding schools)	158	1	9	2	12
Schools	437	-	67	-	67
Adult Social Care, Health and Public Protection	232	6	7	3	16
Environment and Resources	427	11	19	3	33
Policy, Planning and Corporate Services	45	-	3	-	3
Public Health	15	-	1	-	1
Contingency	100				
Total County Council	1,719	28	106	8	142
External Clients (Work for Fire, Academies and School Funds)	171				
Overall Total	1,890				

10. As can be seen from the above, a total of 1,890 days are planned for 2015/16 of which 1,719 (91%) will be spent on the Authority's systems and procedures. The remaining 171 days will be spent on external contracts providing an internal audit service to Notts Fire and Rescue Service, work on school funds and work in academy schools. External contracts help the section maintain high quality services and costs are fully recovered.

11. The Audit Plan shows a small reduction in terms of the number of days to that in 2014/15, following a decision to hold some posts vacant, pending discussions on shared services with other Nottinghamshire authorities. The changes implemented in 2014/15 to provide more consultancy-style work and to audit increasingly complex areas will be continued in 2015/16. Table 2 sets out planned coverage in previous years, as an indicator of the changing plans over the years.

Table 2: Changes in the Planned Audit Days for the Council, Planned Jobs, Council Gross Turnover and Internal Audit cost per £ million turnover between 2008/09 and 2015/16

Year	**Planned days**	**Planned audits**	**Council Gross turnover (£million)**	**Audit Cost per £m expenditure (£)**
2008/09	2,288	191	1,201	561
2009/10	2,233	169	1,240	510
2010/11	2,196	157	1,253	448
2011/12	1,955	136	1,283	323
2012/13	1,923	147	1,215	313
2013/14	1,929	139	1,093	329
2014/15	1,727	119	1,093	334
2015/16	1,719	142	1,110	330

12. Progress against the plan will be reported to the Council's Audit Committee and the Corporate Leadership Team on a regular basis.

Other Options Considered

13. This report is for information and noting only.

Reason/s for Recommendation/s

14. To provide information to Members on the Internal Audit Plan of work for 2015/16.

Statutory and Policy Implications

15. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

1) That the Internal Audit Plan 2015/16 be noted.

Nigel Stevenson
Service Director (Finance and Procurement)

For any enquiries about this report please contact:
John Bailey
Head of Internal Audit

Constitutional Comments

16. This report is for noting only.

Financial Comments (JMB 2/3/15)

17. The net budget for the provision of Internal Audit to the County Council for 2015/16 is £366k. This comprises gross expenditure of £539k and income of £173k.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

Appendix

Cross cutting areas (i.e. across departments)

Area for audit	Risk assessment	Days planned				Likely scope
		Assurance	Consultancy	Counter Fraud	Certification	
Service Planning and Performance Management	**High**	30				To review the effectiveness of the new strategic management framework
Information Governance	**High**	10				Follow up of 2014/15 limited assurance report
Counter Fraud and Corruption	**High**			100		Develop and implement a strengthened counter fraud culture. Use detection techniques to identify potential fraud. Investigate suspected frauds and irregularities
Redefining your Council	**High**		20			Input to transformation projects to advise on the implications for internal control and value for money
Budgetary Control	**High**	30				Review of the revised Business Management System process for budgetary control and forecasting
Procurement to Pay -Input to P2P Project -Review of Compliance	**High**	20	10			Provide advice to the P2P project and then review compliance

Accounts Receivable and debt management	**High**		5			Advisory input to the transfer of Adult Care Financial Services into the Business Support Centre
Payment Card Industry Data Security Standard - Review Group - Compliance	**High**	10	5			Continuing contribution to working group and targeted compliance tests at selected sites
Risk Management	**High**	15				Compliance with corporate strategy and attendance on Risk, Safety and Emergency Management Board
Agency staff and consultants	**High**	30				Review effectiveness of management information to inform and enforce compliance with policy for engagement of agency staff and consultants
Audit Committee support			20			Provide support and advice to Audit Committee
Total days	**305**	**145**	**60**	**100**	**0**	

Children Families and Cultural Services

Area for audit	Risk assessment	Days planned				Likely scope
		Assurance	Consultancy	Counter Fraud	Certification	
Children's Social Care						
Fostering Allowances	**Medium**	15				Review of the control framework to manage risk
Secure Accommodation – follow up	**Medium**	10				Review implementation of recommendations following limited assurance report
External Placements – Block Contract	**Medium**	15				Review of the control framework to manage risk
Adoption Allowances	**Medium**	5				Completion of work commenced in 2014/15
Education Standards and Inclusion						
SEND independent special schools	**Medium**	15				Assurance over control environment
Home to School and College Transport	**Medium**	5				Completion of work commenced in 2014/15

Youth, Families and Culture						
Family Resilience Service: Troubled Families Programme	**High**	20				Robustness of data capture systems and quality audit processes, for payment by results
Libraries, archives, information and learning	**Medium**	15				Control framework to manage risks
Private, voluntary and independent nursery providers – grants	**Medium**	15				Review of control framework to manage risks
Schools swimming	**Medium**	5				Completion of work commenced in 2014/15
Other Work						
Youth Club funds	**Low**				5	To be determined as required
Beeston Youth Centre accounts	**Low**				3	Certification of accounts
Provision of advice and liaison with department			30			Provide advice on new developments and liaise on the audit planning and progress with the Leadership Team
Schools						
Audit of 67 schools	**Medium**	437				Review range of factors relating to School Budget Share
Total days	**595**	**557**	**30**		**8**	

Adult Social Care, Health and Public Protection

Area for audit	Risk assessment	Days planned				Likely scope
		Assurance	Consultancy	Counter Fraud	Certification	
ASCH Support						
Better Care Funding: Governance, reporting and monitoring	**High**	20				Review assurance framework to manage NCC risks
Better Care Funding: Review of pooled budgets	**High**	20				Review control framework to manage financial risks
Care Act programme: Independent personal budgets and care accounts	**High**	20				Review control framework and financial control
Client Accounts	**Medium**	15				Review control framework to manage risks
Younger Adults						
Shared Lives – service users' monies	**Medium**	15				Review control framework and financial control
Supported living	**Medium**	5				Complete review commenced in 2014/15

Older Adults						
Domiciliary Care: Managed services commissioning and contracts	**High**		20			Review control framework and financial control
Prevention Services: domiciliary care claims and payments	**High**	20				Review control framework and financial control, includes 5 days ICT audit
Care and Support services – follow up	**Medium**	10				Follow up of progress with implementation of agreed recommendations
Access and Public Protection						
Care home providers: orders, payments and BEDS	**Medium**	15				Review control framework and financial control – includes 5 days ICT audit
Client Finance Team: Deputyships, benefits, allowances, investments and protection of property	**Medium**	15				Review control framework and financial control
Framework data quality follow up	**High**	15				Follow up of progress with implementation of agreed recommendations
Quality and Market management: NCC and independent care providers	**Medium**	5				Completion of work commenced in 2014/15

Other Work						
Scambusters – grant certification	**Low**				3	Annual certification of grant claim
Operation Spinnaker – grant certification	**Low**				3	Annual certification of grant claim
Community Capacity Grant	**Low**				1	Annual certification of grant claim
Provision of advice and liaison with department	**N/A**		30			Provision of ongoing advice on internal control / systems
Total days	**232**	**175**	**50**		**7**	

Environment and Resources

Area for audit	Risk assessment	Days planned				Likely scope
		Assurance	Consultancy	Counter Fraud	Certification	
Highways						
Alternative Service Delivery Model (ASDM) - NewCo	**High**					
- Implementation Phase			5			Advice on control implications with NewCo
- Post Implementation		15				Review compliance with key controls later in the year
Tarmac Lafarge contract compliance	**Medium**	15				Review of contract compliance and performance monitoring
Civil Parking Enforcement and Blue Badge Scheme	**Medium**	15				Control arrangements over issuing of Penalty Charge Notices, receipt of income and debt recovery
Finance						
Medium Term Financial Strategy	**Medium**	15				Review control over risk management, data sources, options appraisal and monitoring
Insurance	**Medium**	15				Review of external cover, claims handling and risk reduction strategy

Statistical Returns	**Medium**	15				Accuracy and reliability of data and implications on government funding
Transport, Property and Environment						
Bus Stations	**Medium**	15				Review system of recharges to bus companies
Bus Service Operators grant	**Low**				2	Confirm grant conditions met and sign claim
Property Strategy follow up	**High**	10				Follow up of recommendations from prior review
Property Capital Schemes	**High**	15				Controls over delivery of schemes in capital programme
Keyworth Platt Lane Playing fields	**Low**				3	Certification of accounts
Waste management contracts	**High**	15				Review of contract compliance and payments
Energy and Carbon Management	**Low**				5	Required audit of CRC return
Cleaning and Landscape Services – ASDM	**Medium**		5			Advice on control implications of new operating model

Catering – non schools	**Medium**	15				Controls over purchasing, stock, income and performance
Area for audit	**Risk assessment**	**Days planned**				**Likely scope**
		Assurance	**Consultancy**	**Counter Fraud**	**Certification**	
Human Resources and Customer Services						
Pensions	**High**	15				Review compliance with key controls in Civica Universal Pension Management (UPM)
Accounting Clearing House	**High**	15				Provide assurance over key corporate accounting processes
Competency Centre	**High**	15				Assurance over Business Management System access and provision of management information
Advice on Civica Universal Pension Management			5			Continuing advice on first year's implementation
Advice on payovers for external payrolls			2			Review control implications of proposal to offer payovers service to external payroll clients

ICT Management						
ICT Strategy and Operating Model	**High**	15				Review ICT Strategy in meeting organisational objectives; maintenance of policies and monitoring of performance to identify opportunities to improve
Emerging Risks	**High**		10			As agreed with ICT services
Mobilisation	**Medium**	15				Review controls over key risk areas
Service Desk Management	**Medium**	15				Review of support arrangements to ensure they deliver agreed service levels
Procurement, Inventory and Asset Management	**Medium**	15				Provide assurance over the controls in place
Change and Release Management	**Medium**	15				Confirm procedures are approved, complied with and facilitate operational service delivery
Review progress in addressing issues identified by external assessors		10				Examine arrangements for compliance with PSN (Public Sector Network) requirements
County Supplies	**Medium**	15				Assurance over key risks of Supplies function

ICT – Applications Business Management System	**Medium**	5				Standard application controls
Multi Agency Safeguarding Hub (MASH)	**High**	15				Standard application controls
Covalent	**Medium**	5				Standard application controls
Abacus	**High**	10				Standard application controls
Homecare – CM2000 call monitoring and payments	**Medium**	5				Standard application controls
BEDS	**Medium**	5				Standard application controls
Civil Parking Enforcement	**Medium**	5				Standard application controls
Other Client liaison and advice			35			Provide advice on new developments and liaise on the audit planning and progress with the Leadership Team
Total days	**427**	**355**	**62**	**-**	**10**	

Policy Planning and Corporate Services

Area for audit	Risk assessment	Days planned				Likely scope
		Assurance	Consultancy	Counter Fraud	Certification	
LEADER programmes	**Medium**		5			Ongoing advisory input into LEADER
Shale gas development	**Medium**	15				Review process for dealing with planning application for shale gas development
Broadband Project Grant	**Medium**				15	Certification of grant monies to meet BDUK regulations
Provision of advice and liaison with department			10			Provide advice on new developments and liaise on the audit planning and progress with the Leadership Team
Total days	**45**	**15**	**15**		**15**	

Public Health

Area for audit	Risk assessment	Days planned				Likely scope
		Assurance	**Consultancy**	**Counter Fraud**	**Certification**	
Performance monitoring and management	Medium	**15**				Complete work commenced in 2014/15 to provide assurance over effectiveness
Public Health Total		**15**				
Contingency			**50**	**50**		
Grand Total days	**1,719**	**1,282**	**247**	**150**	**40**	

Nottinghamshire County Council

Report to Audit Committee

1 April 2015

Agenda Item: 5

REPORT OF SERVICE DIRECTOR – FINANCE AND PROCUREMENT

REVISED COUNTER-FRAUD AND COUNTER-CORRUPTION POLICY AND STRATEGY, AND FRAUD RESPONSE PLAN

Purpose of the Report

1. To seek Audit Committee support for a revised counter-fraud and counter-corruption policy/strategy, along with a fraud response plan for the council.

Information and Advice

2. A first draft of these documents was presented to the meeting of the Audit Committee on 3 December 2014. A number of amendments were suggested and agreed, all of which have now been incorporated into the revised version attached to this report.

3. The changes made relate to the following:
    - Revisions to Appendix A of the counter-fraud strategy, to broaden out responsibility for implementing some of the actions listed; and
    - Revision of paragraph 3.8 of the response plan, to widen the reporting framework where there is suspicion of councillor involvement in fraudulent activity.

Other Options Considered

4. Continuing with the current counter-fraud policy and the lack of a single, coherent fraud response plan is an option. This would fail to address the weaknesses in the current strategy, which were highlighted in the previous report to the Audit Committee.

Reason/s for Recommendation/s

5. To strengthen the council's stance against fraud and corruption.

Statutory and Policy Implications

6. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

1) That the revised counter-fraud and counter-corruption policy and strategy, and the fraud response plan, be recommended to Policy Committee for adoption.

Name of report author: John Bailey
Title of report author: Head of Internal Audit

For any enquiries about this report please contact:
John Bailey (telephone 0115 97 72226)

Constitutional Comments (KK 04/03/2015)

7. The proposal in this report is within the remit of the Audit Committee.

Financial Comments (JMB 05/03/2015)

8. Countering fraud and corruption plays an important role in maximising the resources available for the provision of services in Nottinghamshire.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

Counter Fraud & Counter Corruption

Policy & Strategy

Contents **Page**

Foreword

We believe that the overwhelming majority of the council's employees, councillors, customers, contractors and suppliers are honest and have no thought to defraud the council. However, we recognise that a small minority will attempt to do just that. Any money lost in this way is money that we cannot spend delivering the critical public services we provide to the citizens of Nottinghamshire. Fraudsters not only cheat local taxpayers, but they deprive local people of the services they depend upon.

This is why fraud in Nottinghamshire County Council will not be tolerated. We are determined to keep up a strong guard against it through the approach set out in this document.

We all have a part to play in stamping out fraud. As we deliver our services, we must recognise the importance of the controls set out in this document to protect us from fraud. We must all remain vigilant and recognise the many forms that fraud and corruption may take. We must have the conviction to raise any concerns we come across. And we must have the resolve to investigate those concerns promptly and to take tough action against proven fraudsters.

This document sets out a comprehensive approach to ensuring that fraud is reduced to an absolute minimum. Its success will depend on our co-operation to send out the robust message to potential fraudsters that they will be rooted out and dealt with.

……………………….	…………………….	…………………….
Mick Burrows Chief Executive	Cllr. Alan Rhodes Leader of County Council	Cllr. Keith Walker Chair of Audit Committee

Counter-Fraud & Counter-Corruption Policy

1. Nottinghamshire County Council, in common with all public authorities, recognises the potentially significant risk that fraud and corruption pose to the achievement of the council's aims and objectives. Put simply, any money lost to fraud and corruption is money that cannot be used for the delivery of essential, public services.

2. The eradication of fraud and corruption is also of paramount importance to securing the trust and confidence of Nottinghamshire residents and the local business community.

3. The County Council strives to achieve the highest standards of public service, therefore it adopts a zero tolerance stance against all forms of fraud, corruption, bribery and theft.

4. The County Council is committed to embracing best practice approaches to fighting fraud and corruption, and the strategy that follows is designed to achieve this. The Council will continually review and revise the strategy to ensure its resilience to fraud and corruption is maximised.

5. All councillors and employees of the council have an important role to play. They must comply themselves with key council policies, procedures and standards of conduct, and they must remain vigilant to potential incidents. The County Council also encourages its contractors, partners and members of the public to raise concerns at the earliest opportunity.

6. The County Council is committed to investigating concerns thoroughly, promptly and, wherever possible, confidentially. Malicious or vexatious allegations will not be tolerated, however.

7. Wherever fraud or corruption is proven, the County Council will take all appropriate action against the perpetrator and will pursue all options available to recover any losses incurred.

Counter-Fraud & Counter-Corruption Strategy

1. Aims and objectives

- To risk-assess new and existing fraud threats.
- To create a strong counter-fraud and counter-corruption culture within the council.
- To maintain effective systems and procedures for the prevention and detection of fraudulent and corrupt activity.
- To establish an effective response to suspected cases of fraud and corruption, to ensure all suspicions are properly and thoroughly investigated.
- To take appropriate and strong action to deal with proven fraudsters.
- To vigorously pursue all forms of redress to recover financial losses.

2. Scope

This strategy and the associated policy apply to all council employees, members, consultants, contractors, suppliers, council funded voluntary bodies and individuals, partners, and any external agencies doing business with the council. All suspicions of financial impropriety arising from the activities of any of these groups fall within the scope of this strategy.

3. Definitions of fraud, corruption, bribery and theft

Fraud

3.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines fraud as *'…the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain.'*

3.2 The Fraud Act 2006 establishes that fraud may be committed in the following ways:

a) Fraud by false representation
b) Fraud by failing to disclose information
c) Fraud by abuse of position.

Corruption

3.3 *'The Investigation of Fraud in the Public Sector'* (CIPFA, 1994) defines corruption as 'the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person.'

Bribery

3.4 The Bribery Act 2010 establishes that an offence of bribery occurs when a person offers, gives or promises to give a financial or other advantage to another in exchange for improperly performing a relevant function or activity. Similarly, the offence of being bribed is defined as requesting, accepting or agreeing to accept such an advantage in exchange for improperly performing such a function or activity.

Theft

3.5 The Theft Act 1968 states that '*a person shall be guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it*'

4. Fraud Threats

4.1 An Annual Fraud Report shall be presented to the Corporate Leadership Team and the Audit Committee. The report shall include a fraud risk assessment for the Council, drawing on both national and local sources of intelligence.

4.2 The Annual Fraud Report shall assess whether the level of resource invested in counter-fraud and counter-corruption activity is proportionate to the assessed level of risk facing the Council.

4.3 An important element in the Annual Fraud Report is to consider the Council's resilience to fraud and corruption. Resilience will be tested by a range of means:

- Internal Audit's scheduled reviews of key systems assessed as vulnerable to fraud and corruption
- Evaluation of the Council's counter-fraud arrangements against best practice guidance.
- Review of the adequacy and effectiveness of the Council's Fraud Response Plan.

5. Deter, Prevent & Detect

5.1 The Council's first line of defence is to deter would-be fraudsters from considering an attack against the Council. The deterrence factor will be maximised through a range of measures:

- Prominent publication of the Council's zero tolerance stance against fraud and the strategy for combating it

- Design and implementation of a fraud awareness programme, to ensure the profile of fraud remains high among the Council's staff, members, contractors and partners.

- Publication of the Council's successes in identifying and taking strong action against fraudsters.

5.2 It will not be possible to deter all fraudsters, therefore the Council must ensure it has strong preventative controls in place. Wherever appropriate and cost-effective to apply, the Council will design and implement controls to prevent fraud. The Council's Internal Audit Section reviews those areas of the authority's activity deemed to be at greater risk to fraud and corruption, and it works with management to recommend suitable, preventative controls.

5.4 Despite its best efforts to deter and prevent fraud, attacks against the Council will inevitably slip through. A range of actions are taken to detect such cases:

- All staff are expected to comply consistently and routinely with internal controls designed to bring data anomalies and other indicators of fraud to the attention of management. As with the preventative controls, the Council's Internal Audit Section reviews the adequacy of the authority's fraud detection controls in key systems, and it makes recommendations for any weaknesses to be addressed.

- The Council participates fully in the National Fraud Initiative (NFI), and it remains open to taking part in other national or regional opportunities to detect fraud through similar data-matching exercises. In doing so, the Council ensures that it complies with the agreed data-sharing protocols.

- As part of its counter-fraud programme, the Internal Audit Section carries out targeted, analytical reviews of key systems and services to identify indicators of fraudulent activity.

- The Council's whistleblowing policy is prominently publicised to encourage staff, members, contractors and partners to raise any genuine suspicions they may have.

- The Council will participate in national and regional counter-fraud networks and take prompt action to review the relevance to the Council of all fraud bulletins issued by those groups.

5.5 Changes and developments in the Council's internal systems and procedures may adversely impact the established controls to counter fraud. The impact on the fraud risk in changing and new systems and procedures will be evaluated through timely liaison with the Internal Audit Section to discuss new and significantly changing systems and procedures.

6. Pursue

6.1 Where there are genuine grounds to suspect fraud or corruption, the Council is committed to ensuring that all cases are investigated promptly, effectively and fully. The Council has developed a Fraud Response Plan [include link to the plan once it has been developed] and it is expected that this plan should be followed in all cases.

6.2 All matters involving suspected criminal activity will be referred to the Police at the earliest opportunity. The referral decision will be taken jointly by the Council's Section 151 Officer (or his/her nominated representative) and the Monitoring Officer (or his/her nominated representative).

6.3 In support of the Council's zero-tolerance stance, there shall be a general presumption that the Council will request the Police to charge offenders in all cases of fraud, corruption, bribery and theft. The Section 151 Officer (or his/her nominated representative) and the Monitoring Officer (or his/her nominated representative) will apply the prosecution policy on a case-by-case basis.

6.4 Where the Police or Crown Prosecution Service decide not to charge offenders, the Council will consider bringing a private prosecution. The Section 151 Officer (or his/her nominated representative) and the Monitoring Officer (or his/her nominated representative) will consider each prosecution on a case-by-case basis.

6.5 Where offenders are identified as employees of the Council, the authority's disciplinary procedure will be invoked in all cases. [provide link to disciplinary process]

6.6 The Council will pursue all possible options to recover any losses incurred.

7. Responsibilities

7.1 ***Appendix 1*** sets out the key actions required of the various staff groupings to deliver this strategy.

8. Communication and Training

8.1 The strategy and the associated fraud response plan will be widely publicised to ensure it is readily available to employees, councillors, partners, contractors, other stakeholder groups and the general public. Prominent publication should also ensure that the strategy comes to the notice of potential fraudsters. The council's Communications Team will advise on the most suitable format, timing and media to be used.

8.2 The Council will put in place a training plan to enhance its employees' ability to deliver this strategy. The specific content of the training plan will be subject to review as part of the Annual Fraud Report, but its key components are likely to include the following:

- Requirement for all staff to complete a periodic fraud awareness survey
- Qualification training for staff responsible for the investigation of suspected fraud
- Targeted training for key staff likely to require the Fraud Response Plan.

9. Success measures

9.1 The Annual Fraud Report will include an evaluation of the success of this strategy in achieving its objectives. Success measures and indicators will include, but not be limited to, the following:

a) Analysis of trends in the incidence of reported fraud cases
b) Take-up of council-wide fraud awareness training
c) Outcome of formal audits of compliance with key preventative and detective controls in areas of activity vulnerable to fraud
d) Timely responses to suspected cases identified
e) Effectiveness of actions taken against proven fraudsters
f) Recovery rate for any losses incurred.

10. Links to other NCC policies/strategies

10.1 The counter-fraud and counter-corruption strategy has clear links and dependencies on a number of other council policies and strategies:

- Fraud Response Plan
- Whistleblowing Policy
- Codes of conduct for staff and members, incorporating the standards for dealing with gifts, hospitality and pecuniary interests
- Financial Regulations
- Anti-Money Laundering Policy
- Cyber security policies

[Links to be inserted for each of the above]

11. Review of strategy

11.1 The strategy will be subject to regular review as part of the Annual Fraud Report, which will make recommendations for any required changes to it.

KEY RESPONSIBILITIES FOR DELIVERING THE STRATEGY

APPENDIX 1

ACTION	Internal Audit	Monitoring Officer & S151 Officer	Service Directors/ Group Managers/ Team Leaders	Corporate Directors (CLT)	Members (Audit Committee)	All staff, contractors & partners
1. Strategy development, maintenance & reporting						
1.1 Maintain the Counter Fraud Strategy	X					
1.2 Carry out the annual Fraud Risk Assessment	X					
1.3 Compile the Annual Fraud Report	X					
1.4 Review and approve the strategy, risk assessment and fraud report			X	X	X	
2, Deter						
2.1 Publication of the Counter-Fraud Strategy	X				X	
2.2 Design & implement a periodic fraud awareness programme	X					
2.3 Participation in fraud awareness surveys	X	X	X	X	X	X
2.4 Publication of successes in dealing with fraud	X				X	
3. Prevent						
3.1 Review the preventative controls in key council systems	X		X			
3.2 Implement agreed actions to strengthen internal controls		X	X	X		X
3.3 Ensure consistent compliance with established controls to prevent fraud		X	X	X		X
3.4 Consider the implications for counter-fraud	X		X	X		

ACTION	Internal Audit	Monitoring Officer & S151 Officer	Service Directors/ Group Managers/ Team Leaders	Corporate Directors (CLT)	Members (Audit Committee)	All staff, contractors & partners
controls of new or changing systems and procedures						
3.5 Incorporate in committee reports consideration of the counter-fraud implications of new or changing policies		X	X	X	X	
4. Detect						
4.1 Review the detective controls in key council systems and carry out targeted, analytical reviews in high risk areas of activity	X	X	X	X		
4.2 Implement agreed actions to strengthen detective controls		X	X	X		X
4.3 Ensure consistent compliance with established controls to detect fraud		X	X	X		X
4.4 Publicise the whistleblowing policy	X	X		X		
4.5 Raise fraud and corruption concerns promptly through the whistleblowing policy, with a line manager/senior manager, or directly with Internal Audit	X	X	X	X	X	X
4.6 Participate in the National Fraud Initiative, the National Anti-Fraud Network and other counter-fraud groups	X					
5. Pursue						
5.1 Follow the Fraud Response Plan in all cases where fraud and corruption are suspected.	X	X	X	X	X	X
5.2 Decision to refer a case to the police for		X				

ACTION	Internal Audit	Monitoring Officer & S151 Officer	Service Directors/ Group Managers/ Team Leaders	Corporate Directors (CLT)	Members (Audit Committee)	All staff, contractors & partners
investigation						
5.3 Decision to apply the prosecution policy		X				
5.4 Decision to invoke the council's disciplinary process			X	X		
5.5 Consider options for seeking recovery of losses incurred		X	X	X		

Nottinghamshire County Council

Fraud Response Plan

Contents **Page**

1. INTRODUCTION

1.1. The Counter Fraud and Corruption Policy and Strategy make it clear that NCC has a zero-tolerance approach to fraud and corruption. Wherever there are genuine suspicions, staff are encouraged to raise their concerns at the earliest opportunity.

1.2. This Fraud Response Plan provides guidance to staff on the procedures that should be followed where a fraud is suspected or discovered. It should be read in conjunction with the Counter Fraud & Counter Corruption Policy & Strategy and the Council's Whistleblowing Policy. A summary of this plan is attached as a flowchart at Appendix A.

1.3. All staff should be aware that, if an allegation is found to have been made maliciously or for personal gain, then disciplinary action may be taken against the person making the allegation.

2. DISCOVERY

2.1. There are a number of ways in which a fraud may come to light:

- Discoveries by managers or other employees, usually arising from standard controls being broken or from employee suspicions.
- Specific fraud detection exercises such as data matching or analytical review.
- A "tip-off" from a third party; either a member of staff or an external party
- Routine systems audit checks or specific audit checks on high risk areas

2.2. The scope of suspected fraud might range from internal incidents (e.g. involving petty cash or employee claims for travelling expenses) to circumstances affecting third parties (e.g. suppliers submitting duplicate invoices). A list of common examples of fraud is attached as Appendix B.

3. ACTION TO BE TAKEN WHEN SUSPICION ARISES

Employees

3.1. If an employee becomes aware of a suspected fraud they must report the matter to their line manager as quickly as possible. This must be done in a way that ensures confidentiality is maintained at all times as the initial suspicions may turn out to be unfounded or the perpetrator may be alerted to your suspicions.

3.2. If an employee feels unable to discuss their concerns with their line manager, for whatever reasons, they can instead raise their concerns with their Team or Group Manager as they feel is appropriate or may contact the Head of Internal Audit directly.

3.3. Employees should not contact the Police regarding suspicions. The decision around when to involve the Police must be made by the S151 Officer and the Group Manager Legal Services.

3.4. Employees may choose to report their concerns anonymously or they may request anonymity. While total anonymity cannot be absolutely guaranteed, every endeavour will be made not to reveal the names of those who pass on information.

Managers

3.5. When told about a suspected fraud, the line manager should listen to the concerns raised and treat them seriously and sensitively.

3.6. The line manager should gather as much information as possible from the employee and any notes or evidence that are readily available to support the allegation. These should be held securely to ensure evidence is not destroyed or lost. Under no circumstances should line managers attempt to investigate the matter themselves or covertly obtain further evidence as this may adversely affect any internal investigation or Police enquiry.

3.7. The line manager should then immediately contact their Team or Group Manager to advise them of the situation as well as either:

- the S151 Officer
- the Head of Internal Audit
- a member of CLT

Councillors

3.8. Where there is suspicion that a councillor may be involved in fraudulent activity, managers should report the matter directly to the Monitoring Officer, or to the Head of Internal Audit. The Monitoring Officer will determine whether the matter should be reported to the relevant Group Leader for the councillor concerned.

4. REFERRAL TO POLICE

4.1. The Head of Internal Audit, in consultation with the S151 Officer and the Group Manager Legal Services, will decide whether the matter should be referred to the Police to request a criminal investigation. The decision to accept a case for investigation rests fully with Police.

4.2. If it is determined that an internal investigation is needed before contacting the Police, the need for a referral should be reconsidered once the findings of the internal investigation have been reported (see 6.1 below).

4.3. When referring an investigation to the Police the following conditions should be met to improve the chances that the case will be accepted for investigation:

- It must be established that there are reasonable grounds to believe that a criminal offence has been committed.
- Deliberate criminal intent needs to be identified. The fraud needs to be more than an error or omission.
- The allegations should concern recent events and should not have become stale by reason of age. Incidents that are over two years old before discovery need to be judged individually on their merits, including the availability of documentary evidence and the reliability of witness statements
- NCC must identify and preserve all original documents and other exhibits relating to the matter.

4.4. NCC must be prepared to supply all original documents and exhibits to the Police if an investigation is expected and commenced. Such evidential material should be securely held in accordance with the Police and Criminal Evidence Act 1984 (PACE) before formal handover.

4.5. The Head of Internal Audit will advise the manager who reports the case whether further and immediate action is needed. This might be to secure evidence, to protect the council from further losses, or to safeguard a possible criminal or internal investigation.

5. INTERNAL INVESTIGATION

5.1. The Head of Internal Audit will review the concerns raised and any evidence that is initially available and will decide:

- If an investigation is required as concerns are valid
- If no investigation is required as concerns are not indicative of fraudulent activity
- If an initial inquiry is required to gather more evidence to support or refute the concerns.

5.2. Following discussion of the case between the Head of Internal Audit, the S151 Officer, the Group Manager Legal Services and the Service Director HR & Customer Service, the following will be determined:

- whether an investigation is required as the concerns are deemed to be valid. It may be determined that a preliminary inquiry is required to gather more evidence to support or refute the concerns
- whether the employee under suspicion should be suspended, pending criminal and internal investigations
- who will carry out the internal investigation. In most cases, Internal Audit staff will be charged with investigating allegations of fraud and corruption. In some cases, however, it may be determined that the investigation may be carried out by a departmental manager, with the support and advice of Internal Audit.

5.3. Where it is decided to investigate, resources will be made available to ensure the investigation can be carried out as a matter of urgency. This is important to ensure that:

- Prompt action is taken to ensure facts, evidence and explanations can be captured while events remain current
- Any on-going losses to fraud are minimised
- The cost to the authority of suspended employees is minimised
- The council's commitment to its zero-tolerance stance against fraud and corruption is clearly demonstrated.

5.4. Where a case has been accepted by the Police for investigation, it is most important that the internal investigation team maintains close liaison with the investigating police officer. This is to ensure that the internal investigation does not in any way hinder or compromise the criminal investigation.

5.5. On conclusion of the internal investigation, two reports will be produced and issued to the S151 Officer, the Group Manager Legal Services, the Service Director HR and Customer Service and the relevant Corporate Director:

- the primary report will detail the facts determined as a result of the investigation. This report will enable a decision to be made concerning the need for disciplinary action (see 6.1 below)
- the secondary report will highlight any procedural weaknesses identified during the investigation, and it will make recommendations for improved internal controls (see 7.3 below).

6. DISCIPLINARY PROCEDURE

6.1. On receipt of the internal investigation report, the following shall be considered:

- if the case had not already been referred to the police, the need for a referral shall be reconsidered in light of the findings of the internal investigation. The decision to make a referral to the police at this stage shall be taken by the officers listed above, at 4.1
- the Service Director HR and Customer Service, the S151 Officer, the Group Manager Legal Services and the relevant Corporate Director will determine whether any disciplinary action is warranted against any council officers.

7. REDRESS AND FOLLOW-UP ACTIONS

7.1. The internal investigation report will quantify the extent of any losses incurred by the council. The S151 Officer, the Service Director HR and Customer Service, the Group Manager Legal Services and the relevant Corporate Director will consider all options available to seek recovery of the losses.

7.2. Where the Police do not accept the case, or the Crown Prosecution Service do not seek a criminal prosecution, the Group Manager Legal Services should advise on the prospects for recovering losses through the civil court. NCC should seek to recover costs in addition to any losses.

7.3. The relevant Corporate Director will be responsible for implementing the recommendations made for improved controls in the secondary report following the internal investigation. Where agreed, the recommendations should be implemented as a matter of urgency to ensure protection against recurring cases. The recommended changes will be set out in an action plan identifying the staff involved and the relevant completion dates. Subsequently, the Head of Internal Audit may initiate a follow-up audit of the relevant areas to ensure the revised procedures are operating effectively.

7.4. The Head of Internal Audit will co-ordinate with the Service Director – Marketing and Communications regarding the content and timing for communicating the outcome of the investigation to internal staff and to the wider public, as considered appropriate.

7.5. The Head of Internal Audit will advise and update the Audit Committee on suspected and actual fraud cases as part of its routine reporting arrangements. This will include the extent of losses, and the key outcomes in terms of sanctions taken, recoveries achieved and procedural improvements implemented.

8. KEY CONTACTS

Post	Post holder	Contact
Head of Internal Audit	John Bailey	0115 97 72226 john.bailey @nottscc.gov.uk
S151 Officer	Nigel Stevenson	0115 97 73033 nigel.stevenson@nottscc.gov.uk
Group Manager Legal Services	Heather Dickinson	0115 97 74835 heather.dickinson@nottscc.gov.uk
Service Director HR and Customer Service	Marjorie Toward	0115 97 74404 marjorie.toward@nottscc.gov.uk
Service Director Marketing and Communications	Martin Done	0115 97 72026 07795 291 692 martin.done@nottscc.gov.uk

Fraud Response Plan – Key Stages

Appendix 1

1. Employee detects or suspects fraud/corruption:

- What are the indicators? What evidence is available?
- Are my concerns genuine?
- Is there any reason not to report the matter to my line manager?

2. Line manager discusses the matter with the employee:

- Are the concerns genuine? Has all available evidence been collected?
- Secure primary evidence wherever possible, without alerting the suspected fraudster
- Inform Team and Group Managers and notify Head of Internal Audit or S151 Officer

3. Head of Internal Audit assesses the need for an investigation:

- Confirm that the available evidence warrants further investigation or immediate action by management
- Consider whether further action is needed to secure primary evidence
- Consider whether the matter should be referred to the police for a criminal investigation

4. Case discussed with S151 Officer, Service Director Legal & Service Director HR:

- Where an employee is suspected of fraud, the Service Director HR considers the need to suspend the employee as part of invoking the disciplinary procedure
- S151 officer and Service Director Legal Services determine whether the matter should be referred to the police to request a criminal investigation
- S151 officer and Service Director HR determine whether an internal investigation should be carried out and whether this should be led by Internal Audit or a departmental officer

5. Appointed investigator conducts investigation:

- Investigation carried out as a matter of urgency
- Liaison is maintained with the police to ensure the internal investigation does not hamper or compromise the police investigation

6. Disciplinary procedure:

- S151 officer and Service Director Legal reconsider whether to refer the case to the police (if this has not already been done prior to the internal investigation)
- Service Director HR and relevant Corporate Director decide whether to invoke the disciplinary procedure

7. Redress and follow-up actions:

- S151 officer, Service Director Legal, Service Director HR and relevant Corporate Director consider the options for recovering any losses incurred
- Relevant Corporate Director ensures that recommendations for improved internal controls are implemented as a matter of urgency
- Head of Internal Audit consults with Service Director Legal and Service Director Communications and publicises the actions taken by the council to identify and deal with the case

There are many ways people may try to defraud NCC. This could be carried out by employees or people from outside the organisation. The most common of these include:

Fraud from internal sources

- Theft of cash, stocks or assets and attempts to disguise this
- Over-claiming expenses
- Claiming for overtime not worked
- Selling waste and scrap
- Bogus employees on the payroll
- Forging signatures or altering amounts on documents
- Writing off recoverable debts
- Running a private business with NCC assets

Fraud from external sources

- Submitting invoices for goods or services not delivered or submitting multiple invoices for the same goods and services
- Claiming for expenses not incurred, or claiming the same expenses multiple times
- Changing bank details of existing suppliers
- Collusive bidding
- False compensation and insurance claims
- Bribing employees or councillors

False, official identification used

Nottinghamshire County Council

Report to AUDIT COMMITTEE

1 April 2015

Agenda Item: 6

REPORT OF SERVICE DIRECTOR – FINANCE AND PROCUREMENT

STATEMENT OF ACCOUNTS 2014/15 – ACCOUNTING POLICIES

Purpose of the Report

1. To allow the Audit Committee to review and approve the proposed accounting policies used in creating the Authority's Statement of Accounts for 2014/15.

Information and Advice

2. The Statement of Accounts includes a section explaining the accounting policies used in producing the main statements for the benefit of the reader. Both the Code of Practice on Local Authority Accounting and our External Auditors indicate that these policies should be reviewed and approved by the Audit Committee prior to inclusion in the final Statement of Accounts.

3. As well as updating the various dates in the policies there are two changes to those approved last year. The Authority is required to make these changes to the Accounting Policies in order to comply with amendments made to the CIPFA Code of Practice 2014/15.

4. Changes to the 2014/15 Code of Practice requires consideration of how the new interpretation of The Code impacts upon each school type in relation to its Plant, Property and Equipment. Policy 8 – 'Property, Plant and Equipment' has been amended to reflect the County Council's proposed approach to this issue. This approach is still to be agreed with external auditors. The main changes are as follows:

   a. Foundation schools are proposed to be classed as on-Balance Sheet
   b. Voluntary Controlled schools are proposed to be classed as off-Balance Sheet.

5. There is an update to Policy 25 – 'Carbon Reduction Scheme' as the scheme enters into the first year of its second phase.

6. The proposed accounting policies are attached to the report.

Other Options Considered

7. This report is for the approval of statutory required accounting policies.

Reason/s for Recommendations

8. It is considered good practice to have the Authority's accounting policies approved each year. In addition, the Code of Practice on Local Authority Accounting in the United Kingdom requires changes to the Authority's accounting policies to be approved.

Statutory and Policy Implications

9. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

1) That Members approve the changes to the Authority's accounting policies.

Nigel Stevenson
Service Director – Finance & Procurement

For any enquiries about this report please contact:

Glen Bicknell, Senior Finance Business Partner, Financial Strategy and Compliance

Constitutional Comments (HD 11/03/2015)

10. Audit Committee is the appropriate body of the Council to consider the report.

Financial Comments (GB 10/03/2015)

11. There are no financial implications arising from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- Code of Practice on Local Accounting in the United Kingdom 2014/15

Electoral Division(s) and Member(s) Affected

- Not applicable

STATEMENT OF ACCOUNTING POLICIES

1. General Policies

The Statement of Accounts summarises the Authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2012, which require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

3. Prior Period Adjustments, Changes in Accounting Policies, Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

4. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible non-current assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

5. Costs of Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users as follows:

- Office accommodation – in proportion to floor area occupied
- Other central administrative expenses – allocation of staff time
- Architectural Engineering Services for the Capital Programme – recharged to capital using professional scale fees.

The following two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on the Cost of Services.

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early, pensions past service cost and depreciation and impairment losses chargeable on Surplus Assets.

6. Employee Benefits & Pensions

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line (or discontinued operations) in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)

- The Local Government Pension Scheme, administered by Nottinghamshire County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme (LGPS)

The Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of projected earnings for current employees. In assessing these liabilities at 31 March 2015 for the 2014/15 Statement of Accounts, the actuary made a number of changes in the assumptions underlying the present value of the scheme liabilities. These include a change in the assumed pensions increases and inflation. Application of these revised assumptions has resulted in an increase in liabilities measured at today's prices of £X.X million (£X.X million LGPS, £X.X million Teachers).
- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into several components:
  - current service cost / gain – the change in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - expected return on scheme assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
  - gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – credited/debited to the Pensions Reserve

- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7. Revenue Expenditure Financed from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

Capital grants made to other bodies are written off to the appropriate Service revenue account during the financial year because they do not represent value for money to the Authority beyond the end of the financial year. This includes grants made to bodies for which the Authority is the accountable body and exercises control over grant distribution.

8. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Assets are, however, only recognised when they exceed the de minimus levels for 2014/15 set out below:

Asset Type	De minimus
Land & Buildings	£0
Community Assets	£10,000
Infrastructure Assets	£0
Assets under Construction	£0
Heritage Assets	£10,000
Vehicles, Plant, Furniture and Equipment	£6,000
Other assets	£6,000

Accounting for Schools Property, Plant and Equipment

The Authority has made detailed judgements regarding the control exercised over schools run in a wide variety of ways to determine whether they should be treated as on or off Balance Sheet. The treatment of all schools has been considered with analysis predicated on the application of tests inherent within the following IFRS requirements adopted by the CIPFA Code (Module 4 – Non Current Assets) – IAS16 – Property, Plant and Equipment, IAS17 – Leases and IFRIC12 – Service Concession Arrangements. This has resulted in the following treatment:

- Academy schools - off-Balance Sheet
- Foundation schools - on-Balance Sheet
- Voluntary Aided schools – off-Balance Sheet
- Voluntary Controlled schools – off-Balance Sheet
- Community schools – on-Balance Sheet

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, Community Assets and Assets under Construction – depreciated historical cost
- Heritage Assets - held at valuation or, under certain conditions, historical cost (depreciated where appropriate)

- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

The current land and building values used in the Statement of Accounts are based upon a certificate as at 31 March 2015 issued by I Brearley MRICS, Principal Estates Officer - Property from the Council's Property Division, on Xth XXXX 2015. A rolling 5 year revaluation programme is in place to maintain the accuracy of the valuations. When significant changes occur in any year they are included in the revaluation work undertaken during that year.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that they may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is charged in the year after acquisition or construction. Where depreciation is provided for, assets are depreciated using the straight line method. The lives of the assets vary and fall within the following ranges:

Asset Type	**Useful Life (In Years)**
Buildings	1 – 50
Vehicles and plant	1 – 20
Infrastructure	40
IT and other equipment	3 – 5
Intangibles	3 – 5
Furniture and Fittings	5 - 15

Where an item of Property, Plant and Equipment has major components whose costs are at least 20% of the total cost of the item, the components are depreciated separately. A review was carried out for all items over a de minimus of £0.5 million. For the 2014/15 Statement of Accounts, the Authority has not identified any components to be depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction, rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Capital receipts are required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

9. Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Authority, for policy reasons, can make loans to voluntary organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available for Sale Assets

Available for Sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price

- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available for Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that fixed or determinable payments due under the contract will not be made, or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

10. Cash and Cash Equivalents

Amounts held in call accounts or money market funds are highly liquid and readily convertible. These can be held for relatively long periods as call account rates are currently attractive. However, these accounts are used to cover short-term cash flow needs and so will be classed as cash equivalents.

Fixed term investments, of whatever duration, are not readily convertible to known amounts of cash. Fixed deals can be broken but only through negotiation with the borrower and at a penalty depending on the fair value of the loan at the time of break. All fixed term investments will not therefore be classed as cash equivalents.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

11. Other Assets

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Interests in Companies and Other Entities

In the Authority's accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

Investment Property

Investment Properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment Properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

Jointly Controlled Operations and Jointly Controlled Assets

Jointly Controlled Operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

Jointly Controlled Assets are items of Property, Plant or Equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

12. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

13. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected
- Where significant debtors or creditors arise from such items as government grants and pay awards that are not yet finalised, estimates are made on the basis of best information that is currently available.

Accounting instructions require accruals to be raised where amounts are in excess of £5,000. Schools are asked to take responsibility for accruing for employee costs where individual amounts owing are in excess of £5,000.

14. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

15. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower), where the fair value exceeds the de minimus limit. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to write down the lease liability. Where material, contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

The Authority is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased Property, Plant or Equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

16. Private Finance Initiative (PFI) and Similar Contracts

The Authority has entered into a number of Private Finance Initiative contracts. PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. For the Bassetlaw Schools PFI scheme and East Leake Schools PFI scheme, the liability was written down by initial capital contributions of £9.0 million and £2.9 million respectively.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs – charges for ongoing maintenance of the Property, Plant and Equipment debited to the relevant scheme.

17. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as receipts in advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

18. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

19. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence, or otherwise, of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the accounts.

20. Contingent Assets

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence, or otherwise, of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

No contingent assets have been identified for the Authority at 31 March 2015.

21. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority. These reserves are explained in Note XX.

22. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

23. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

24. Foreign Currency Translation

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

25. The Carbon Reduction Scheme

The authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in the initial year of its second phase, which ends on 31 March 2019. The authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, ie carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

26. Heritage Assets

Tangible and Intangible Heritage Assets

The Authority's Heritage Assets are held at County Hall or at the Nottinghamshire Archives. Nottinghamshire Archives has a number of architectural drawings and records relating to Rufford Abbey and the Savile of Rufford Estate. These collections are held in support of the primary objective of the Authority's Archives. In addition, the Authority retains a number of important ceremonial regalia and paintings that are also retained for increasing the knowledge, understanding and appreciation of the Authority's history and local area.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets as detailed below. The accounting policies in relation to Heritage Assets that are deemed to include elements of intangible Heritage Assets are also presented below. The Authority's collections of Heritage Assets are accounted for as follows:

Ceremonial Regalia and Art Collection

The ceremonial regalia and art collection includes ceremonial items, paintings (both oil and watercolour), sketches, sculptures, glass and silverware and is reported in the Balance Sheet at market value. There is an annual programme of valuations and the items in the collection are valued by an external valuer. These assets are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation. Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuers and with reference to appropriate commercial markets for the paintings using the most relevant and recent information from sales at auctions.

Architectural Drawings and Records

The architectural drawings and records relating to the Savile of Rufford Estate are held at Nottinghamshire Archives and are reported in the Balance Sheet at historical cost. Valuation of these items is not readily available and the Authority believes that the benefits of obtaining annual valuations for these items would not justify the cost. These assets are deemed to have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation. Acquisitions are made by purchase or donation. Acquisitions are initially recognised at cost and donations are recognised at valuation if appropriate with valuations provided by external valuers. Nottinghamshire Archives holds a number of other records (e.g. Lothian of Melbourne records) that are valued at less than £10,000. Consequently, the Authority does not recognise these assets on the Balance Sheet.

Heritage Assets – General

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. Where assets are disposed of, the proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of Property, Plant and Equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

Nottinghamshire County Council

Report to AUDIT COMMITTEE

1 April 2015

Agenda Item: 7

REPORT OF SERVICE DIRECTOR – FINANCE AND PROCUREMENT

KPMG – EXTERNAL AUDIT PLAN 2014/15

Purpose of the Report

1. To inform Members of the External Auditors' Audit Plan for their 2014/15 Audit.

Information and Advice

2. The attached report from KPMG sets out the proposed Audit Plan for the 2014/15 audit, including their approach, fees, key staff and timelines for the audit. The report is presented to Members for their information. The Audit Director (KPMG), Neil Bellamy, and Sayeed Haris, the Audit Manager (KPMG), will be in attendance at the meeting to introduce the report and respond to Member's questions.

Other Options Considered

3. The report is for comment only.

Reason/s for Recommendation/s

4. To provide information to Members on the External Audit Plan 2014/15

Statutory and Policy Implications

5. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

1) That Members receive, and comment upon, the External Auditor's Audit Plan for 2014/15.

Nigel Stevenson
Service Director – Finance & Procurement

For any enquiries about this report please contact:
Glen Bicknell, Senior Finance Business Partner, Financial Strategy and Compliance.

Constitutional Comments (HD 11/03/2015)

6. Audit Committee is the appropriate body of Council to consider the report.

Financial Comments (GB 10/03/2015)

7. The anticipated total fees, excluding the indicative fee for grant claim certification, are £130,950 for Nottinghamshire County Council and £29,926 for the Nottinghamshire Pension Fund. This is in line with the initial proposal and budget provision is in place.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

cutting through complexity

External Audit Plan 2014/15

Nottinghamshire County Council and Nottinghamshire Pension Fund

March 2015

Contents

The contacts at KPMG in connection with this report are:

Neil Bellamy
Director
KPMG LLP (UK)
Tel: +44 7880 788 292
neil.bellamy@kpmg.co.uk

Richard Walton
Manager
KPMG LLP (UK)
Tel: +44 7917 232 307
richard.walton@kpmg.co.uk

Sayeed Haris
Manager
KPMG LLP (UK)
Tel: +44 7920 191 951
sayeed.haris@kpmg.co.uk

Vishal Savjani
Assistant Manager
KPMG LLP (UK)
Tel: +44 7818 454 805
vishal.savjani@kpmg.co.uk

Harry Organ
In-charge (Pension Fund)
KPMG LLP (UK)
Tel: +44 7468 369 664
harry.organ@kpmg.co.uk

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.audit-commission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Neil Bellamy, the appointed engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact Trevor Rees on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk, who is the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, 1st Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF or by email to complaints@audit-commission.gsi.gov.uk. Their telephone number is 03034448330.

Introduction

This document describes how we will deliver our audit work for Nottinghamshire County Council and Nottinghamshire Pension Fund.

Scope of this report

This document supplements our *Audit Fee Letter 2014/15* presented to you in April 2014. It describes how we will deliver our financial statements audit work for Nottinghamshire County Council ('the Authority') and Nottinghamshire Pension Fund ('the Pension Fund'). It also sets out our approach to value for money (VFM) work for 2014/15

We are required to satisfy ourselves that your accounts comply with statutory requirements and that proper practices have been observed in compiling them. We use a risk based audit approach.

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary

Statutory responsibilities

Our statutory responsibilities and powers are set out in the *Audit Commission Act 1998* and the Audit Commission's *Code of Audit Practice*.

The Audit Commission will close at 31 March 2015. However our audit responsibilities under the *Audit Commission Act 1998* and the *Code of Audit Practice* in respect of the 2014/15 financial year remain unchanged.

The *Code of Audit Practice* summarises our responsibilities into two objectives, requiring us to audit/review and report on your:

- *Financial Statements (including the Annual Governance Statement):* providing an opinion on your accounts; and
- *Use of Resources:* concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The Audit Commission's *Statement of Responsibilities of Auditors and Audited Bodies* sets out the respective responsibilities of the auditor and the Authority.

The Audit Commission will cease to exist on 31 March 2015. Details of the new arrangements are set out in Appendix 4. The Authority can expect further communication from the Audit Commission and its successor bodies as the new arrangements are established. This plan restricts itself to reference to the existing arrangements.

Structure of this report

This report is structured as follows:

- Section two includes our headline messages, including any key risks identified this year for the financial statements audit and Value for Money arrangements Conclusion.
- Section three describes the approach we take for the audit of the financial statements.
- Section four provides further detail on the financial statements audit risks.
- Section five provides further detail on the audit risks for the pension fund
- Section six explains our approach to VFM arrangements work.
- Section seven provides information on the audit team, our proposed deliverables, the timescales and fees for our work.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

Audit approach	Our overall audit approach remains similar to last year with no fundamental changes. Our work is carried out in four stages and the timings for these, and specifically our on site work, have been agreed with the Service Director – Finance and Procurement. Our audit strategy and plan remain flexible as risks and issues change throughout the year. We will review the initial assessments presented in this document throughout the year and should any new risks emerge we will evaluate these and respond accordingly.
Key financial statements audit risks	We have completed our initial risk assessment for the financial statements audit and have identified two significant risks: ■ the accounting requirements for Local Authority maintained schools; and ■ the transfer of banking services from the Co-Operative to Barclays. We have described these in more detail in Section four. We will assess the Authority's progress in addressing these risk areas as part of our interim work and conclude this work at year end.
Key financial statements audit risks for the Pension Fund	Our initial risk assessment for the Pension Fund's financial statements audit has identified two significant risks to reflect the changes resulting from LGPS 2014, and a change of system relating to the pensions database. We have described these in more detail in Section five. We will assess the Authority's progress in addressing these risk areas as part of our interim work and conclude this work at year end.
VFM audit approach	We have completed our initial risk assessment for the VFM conclusion and have not identified any significant risks at this stage. However risk assessment process is an on going process. If we identify any new VFM risks during this on going process we will communicate that to you. The VFM audit approach is further detailed in Section six. We will continue to assess these risk areas as part of our interim work and conclude this work at year end.
Audit team, deliverables, timeline and fees	We have refreshed our audit team this year and there has been one change from last year. Vishal Savjani is the new Assistant Manager on the Authority audit team. Our main year end audit is currently planned to commence on 29th June 2015. Upon conclusion of our work we will again present our findings to you in our *Report to Those Charged with Governance (ISA 260 Report)*. Our fee Audit Fee Letter 2014/15, sent out last April set out indicative fees for the 2014/15 audit of £130,950 and £29,926 for the County Council and Pension Fund respectively. The fees assumed a similar level of risk to 2014/15. The four risks identified above mean that the risk for this year is slightly higher than last year and we will have to carry out some limited additional audit work in response. We are discussing the impact on the fee level with the Service Director - Finance and Procurement. Any additional fee would have to be agreed by the Audit Commission's successor body.

Our audit approach

We undertake our work on your financial statements in four key stages during 2014:

- **Planning (January to February).**
- **Control Evaluation (February to March).**
- **Substantive Procedures (July to August).**
- **Completion (September).**

We have summarised the four key stages of our financial statements audit process for you below.

	Stage	Activity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
1	Planning	Update our business understanding and risk assessment.	●								
		Assess the organisational control environment.		●							
		Determine our audit strategy and plan the audit approach.		●							
		Issue our *Accounts Audit Protocol*.		●							
2	Control evaluation	Evaluate and test selected controls over key financial systems.		●	●						
		Review the work of internal audit.		●	●						
		Review the accounts production process.			●						
		Review progress on critical accounting matters			●						
3	Substantive procedures	Plan and perform substantive audit procedures.							●	▲	
		Conclude on critical accounting matters.							●	▲	
		Identify audit adjustments.							●	▲	
		Review the Annual Governance Statement.							▲	▲	
4	Completion	Declare our independence and objectivity.									●
		Obtain management representations.									●
		Report matters of governance interest.									●
		Form our audit opinion.									●

Key: ● Authority and Pension Fund ■ Pension Fund only ▲ Authority only

Our audit approach – planning (continued)

During February 2015 we complete our planning work.

We assess the key risks affecting the Authority's financial statements and discuss these with officers.

We assess if there are any weaknesses in respect of central processes that would impact on our audit.

Our planning work takes place in February 2015. This involves the following aspects:

Planning

- Update our business understanding and risk assessment including fraud risk.
- Assess the organisational control environment.
- Determine our audit strategy and plan the audit approach.
- Issue our *Accounts Audit Protocol*.

Business understanding and risk assessment

We update our understanding of the Authority's operations and identify any areas that will require particular attention during our audit of the Authority's financial statements.

We identify the key risks including risk of fraud affecting the Authority's financial statements. These are based on our knowledge of the Authority, our sector experience and our ongoing dialogue with Authority staff. Any risks identified to date through our risk assessment process are set out in this document. Our audit strategy and plan will, however, remain flexible as the risks and issues change throughout the year. It is the Authority's responsibility to adequately address these issues. We encourage the Authority to raise any technical issues with us as early as possible so that we can agree the accounting treatment in advance of the audit visit.

We meet with the Service Director – Finance and Procurement on a bi-monthly basis to consider issues and how they are addressed during the financial year end closedown and accounts preparation.

Organisational control environment

Controls operated at an organisational level often have an impact on controls at an operational level and if there were weaknesses this would impact on our audit.

In particular risk management, internal control and ethics and conduct have implications for our financial statements audit. The scope of the relevant work of your internal auditors also informs our risk assessment.

Audit strategy and approach to materiality

Our audit is performed in accordance with International Standards on Auditing (ISAs) (UK and Ireland). The Engagement Lead sets the overall direction of the audit and decides the nature and extent of audit activities. We design audit procedures in response to the risk that the financial statements are materially misstated. The materiality level is a matter of professional judgement and is set by the Engagement Lead.

In accordance with ISA 320 (UK&I) '*Audit materiality*', we plan and perform our audit to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. Information is considered material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

Further details on assessment of materiality is set out on page 6 of this document.

Our audit approach –planning (continued)

When we determine our audit strategy we set a monetary materiality level for planning purposes.

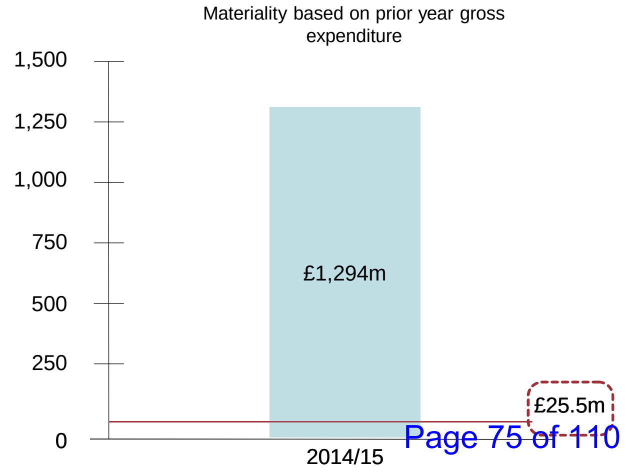
For 2014/15 we have initially set this at £25.5 million.

We will report all audit differences over £1.2 million to the Audit Committee.

Materiality

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

- Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.
- Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.
- Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.



Materiality for planning purposes has been set at £25.5m (2013/14: £23.5m), which equates to approximately 2 percent of gross expenditure. For the Pension Fund , the corresponding figure is £35m (2013/14: £35m) which equates to 1 percent of prior year total assets.

We design our procedures to detect errors in specific accounts at a lower level of precision.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) *'Communication with those charged with governance'*, we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 (UK&I), *'Evaluation of misstatements identified during the audit',* requires us to request that uncorrected misstatements are corrected.

In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.2 million.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Our audit approach – planning (continued)

We will issue our *Accounts Audit Protocol* following completion of our planning work.

Accounts audit protocol

At the end of our planning work we will issue our *Accounts Audit Protocol*. Separate documents will be issued for the Authority and the Pension Fund .These important documents sets out our audit approach and timetable. It also summarises the working papers and other evidence we require the Authority to provide during our interim and final accounts visits.

We met with the Core Finance Team to discuss mutual learning points from the 2013/14 audit. These will be incorporated into our work plan for 2014/15. We revisit progress against areas identified for development as the audit progresses.

Our audit approach – control evaluation

During February to April 2015 we will complete our interim audit work.

We assess if controls over key financial systems were effective during 2014/15.

We work with your finance team and the pensions team to enhance the efficiency of the accounts audit.

We will report any significant findings arising from our work to the Audit Committee.

Our on site interim visit will be completed over a two week period to 06 March 2015. During this time we will complete work in the following areas:

Control Evaluation

- Evaluate and test controls over key financial systems identified as part of our risk assessment.
- Review the work undertaken by the internal audit function on controls relevant to our risk assessment.
- Review the accounts production process.
- Review progress on critical accounting matters.

Controls over key financial systems

We update our understanding of the Authority's key financial processes where our risk assessment has identified that these are relevant to our final accounts audit and where we have determined that this is the most efficient audit approach to take. We confirm our understanding by completing walkthroughs for these systems. We then test selected controls that address key risks within these systems. The strength of the control framework informs the substantive testing we complete during our final accounts visit.

Review of internal audit

Where our audit approach is to undertake controls work on financial systems, we seek to review any relevant work internal audit have completed to minimise unnecessary duplication of work. This will inform our overall risk assessment process.

Critical accounting matters

We will discuss the work completed to address the specific risks we identified at the planning stage. Wherever possible, we seek to review relevant workings and evidence and agree the accounting treatment as part of our interim work.

If there are any significant findings arising from our interim work we will present these to the Audit Committee in June 2015.

Our audit approach – substantive procedures

During June to July 2015 we will be on site for our substantive work. . We will conduct our work on the Pension Fund at the same time.

We complete detailed testing of accounts and disclosures and conclude on critical accounting matters, such as specific risk areas. We then agree any audit adjustments required to the financial statements.

We also review the Annual Governance Statement for consistency with our understanding.

We will present our ISA 260 Report to the Audit Committee in September 2015.

Our final accounts visit on site has been provisionally scheduled for the period 29 June 2015 to 24 July 2015 for the Authority and 07 July 2015 to 15 July 2015 for the Pension Fund. During this time, we will complete the following work:

Substantive Procedures

- Plan and perform substantive audit procedures.
- Conclude on critical accounting matters.
- Identify and assess any audit adjustments.
- Review the Annual Governance Statement.

Substantive audit procedures

We complete detailed testing on significant balances and disclosures. The extent of our work is determined by the Engagement Lead based on various factors such as our overall assessment of the Authority's control environment, the effectiveness of controls over individual systems and the management of specific risk factors.

Critical accounting matters

We conclude our testing of key risk areas identified at the planning stage and any additional issues that may have emerged since.

We will discuss our early findings of the Authority's approach to address the key risk areas with the Group Manager in February 2015, prior to reporting to the Audit Committee in April 2015.

Audit adjustments

During our on site work, we will meet with the Group Manager on a weekly basis to discuss the progress of the audit, any differences found and any other issues emerging.

At the end of our on site work, we will hold a closure meeting, where we will provide a schedule of audit differences and agree a timetable for the completion stage and the accounts sign off.

To comply with auditing standards, we are required to report uncorrected audit differences to the Audit Committee and Pension Fund Committee. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

Annual Governance Statement

We are also required to satisfy ourselves that your Annual Governance Statement complies with the applicable framework and is consistent with our understanding of your operations. Our review of the work of internal audit and consideration of your risk management and governance arrangements are part of this.

We report the findings of our audit of the financial statements work in our *ISA 260 Report*, which we will issue in September 2015.

Pension Fund Annual Report

We also issue an opinion on the consistency of the Pension Fund's accounts included in the *Pension Fund Annual Report* with those included in the Statement of Accounts We intend to issue this opinion at the same time as our opinion on the accounts.

Our audit approach – other matters

In addition to the financial statements, we also review the Authority's Whole of Government Accounts pack.

We may need to undertake additional work if we receive objections to the accounts from local electors.

We will communicate with you throughout the year, both formally and informally.

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified audit approach for 2014/15 have not yet been confirmed.

Elector challenge

The Audit Commission Act 1998 gives electors certain rights. These are:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece of work where we interview an officer and review evidence to form our decision, to a more detailed piece of work, where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised.

The costs incurred in responding to specific questions or objections raised by electors is not part of the fee. This work will be charged in accordance with the Audit Commission's fee scales.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but also in ensuring the audit team are accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our deliverables are included on page 19.

Independence and objectivity confirmation

Professional standards require auditors to communicate to those charged with governance, at least annually, all relationships that may bear on the firm's independence and the objectivity of the audit engagement partner and audit staff. The standards also place requirements on auditors in relation to integrity, objectivity and independence.

The standards define 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case this is the Audit Committee and the Pension Fund Committee.

KPMG LLP is committed to being and being seen to be independent. APB Ethical Standard 1 *Integrity, Objectivity and Independence* requires us to communicate to you in writing all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place, in our professional judgement, may reasonably be thought to bear on KPMG LLP's independence and the objectivity of the Engagement Lead and the audit team.

Appendix 1 provides further detail on auditors' responsibilities regarding independence and objectivity.

Confirmation statement

We confirm that as of 25 February 2015 in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Engagement Lead and audit team is not impaired.

Section four

Key financial statements audit risks – The Authority

In this section we set out our assessment of the significant risks or other key areas of audit focus of the Authority's financial statements for 2014/15.

For the significant risk area we have outlined the impact on our audit plan.

Professional standards require us to consider two standard risks for all organisations. We are not elaborating on these standard risks in this plan but consider them as a matter of course in our audit and will include any findings arising from our work in our *ISA 260 Report*.

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

Appendix 3 covers more details on our assessment of fraud risk.

The table on the following page sets out the significant risk we have identified through our planning work that are specific to the audit of the Authority's financial statements for 2014/15.

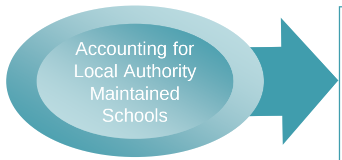
We will revisit our assessment throughout the year and should any additional risks present themselves we will adjust our audit strategy as necessary.

Key audit risks	Impact on audit
 **Audit areas affected** ■ Cash and Cash Equivalents	**Risk** During the year, the Authority transferred the banking services from the Co-Operative Bank to Barclays. With a large number of accounts held for the main functions of the Authority, School bank accounts and the Pension Fund, there is risk relating to the transfer of balances and the recording of transactions post transfer. **Our proposed audit work** We will review the arrangements for the transfer of the bank accounts and for ensuring that there has been no material impact in the administering or receipt of transactions, for example, payments made post transfer to the previous accounts.

Key financial statements audit risks – The Authority (continued)

For each key risk area we have outlined the impact on our audit plan.

Key audit risks



Audit areas affected

- Property Plant and equipment
- CIES (Income /Expenditure)

Impact on audit

Risk

LAAP Bulletin 101 *Accounting for School Assets used by Local Authority Maintained Schools* issued in December 2014 has been published to assist practitioners with the application of the Code in this respect. The challenges relate to school assets owned by third parties such as church bodies and made available to school governing bodies under a variety of arrangements. This includes assets used by Voluntary-Aided (VA) and Voluntary-Controlled (VC) Schools as well as Foundation Schools.

Authorities will need to review the agreements under which assets are used by VA/VC and Foundation schools and apply the relevant tests of control in the case of assets made available free of charge, or risks and rewards of ownership in the case of assets made available under leases. This is a key area of judgement and there is a risk that Authorities could omit school assets from, or include school assets in, their balance sheet.

Particular risks surround the recognition of Foundation School assets which may or may not be held in Trust. Authorities should pay particular attention to the nature of the relationship between the Trustees and the school governing body to determine whether the school controls the Trust and the assets should therefore be consolidated into their balance sheet.

Our proposed audit work

As part of our audit, we will ensure the Authority is aware of the latest guidance and review the judgements it has made. This will include :

- Determining whether the Authority has identified all relevant maintained schools within its area and undertaken a review of the agreements underpinning the use of school assets by VA, VC and Foundation schools;
- Considering the Authority's application of the relevant accounting standards to account for these schools and challenging its judgements where necessary; and
- Determining whether the basis of valuation of assets which are brought on balance sheet at 1 April 2013 is appropriate and the valuations are undertaken by qualified valuers (if applicable).

Key financial statements audit risks – the Pension Fund

In this section we set out our assessment of the significant risks to the audit of the Pension Fund's financial statements for 2014/15.

For the key risk area we have outlined the impact on our audit plan.

As for the Authority's financial statements, professional standards require us to consider two standard risks for all Pension Funds. To recap, these are:

- Management override of controls – Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit methodology incorporates the risk of management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.
- Fraudulent revenue recognition – We do not consider this to be a significant risk for pension funds as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.

The table below sets out the significant risks we have identified through our planning work that are specific to the audit of the Pension Fund's financial statements for 2014/15.

We will revisit our assessment throughout the year and should any additional risks present themselves we will adjust our audit strategy as necessary.

Key audit risks	Impact on audit
 **Audit areas affected** - Contributions - Benefits	**Risk** From 1 April 2014, all members of the LGPS have automatically joined the new career average defined benefit scheme. The new scheme provides more flexibility on when members can take their pension and also how much they pay in. There is a risk that pension administration systems have not been set up to correctly reflect the changes resulting from LGPS 2014 and will therefore not accurately calculate the pension benefits due to members. While any errors in the system are unlikely to result in material misstatements in 14/15, the possible cumulative effect in future years means that specific audit work is needed on ensuring that the changes required to the system have been accurately reflected. **Our proposed audit work** We will review the controls and processes that the Pension Fund have put in place to accurately capture the data required by LGPS 2014. Our work will also focus on testing that the system has been set up to accurately calculate future benefit entitlement.

Key financial statements audit risks – the Pension Fund (continued)

For the key risk area we have outlined the impact on our audit plan.

Key audit risks	Impact on audit
 **Audit areas affected** ▪ Contributions ▪ Benefits	**Risk** During the year, the Authority has implemented a new Pensions database, migrating all member records from the previous Axise system to Civica. During any major system change, there is an inherent risk arising from this implementation in the following areas: ▪ Migration of data ▪ System parameters ▪ Reporting ▪ Operation of controls Our understanding from discussions with officers is that these areas have been reviewed internally, with the aid of software consultants, to mitigate the risk in order to gain assurance that the new system is fully operational, and supports the disclosures and working papers for the financial statements. **Our proposed audit work** We will review the controls and processes that the Pension Fund have put in place to accurately migrate the data to the new system. Our work will also focus on testing the controls implemented during the migration process to ensure the system has been set up to accurately calculate future benefit entitlement under LGPS 2014.

VFM audit approach

Our approach to VFM work follows guidance provided by the Audit Commission.

Background to approach to VFM work

In meeting their statutory responsibilities relating to economy, efficiency and effectiveness, the Commission's *Code of Audit Practice* requires auditors to:

- plan their work based on consideration of the significant risks of giving a wrong conclusion (audit risk); and
- carry out only as much work as is appropriate to enable them to give a safe VFM conclusion.

To provide stability for auditors and audited bodies, the Audit Commission has kept the VFM audit methodology unchanged from last year. There are only relatively minor amendments to reflect the key issues facing the local government sector.

The approach is structured under two themes, as summarised below.

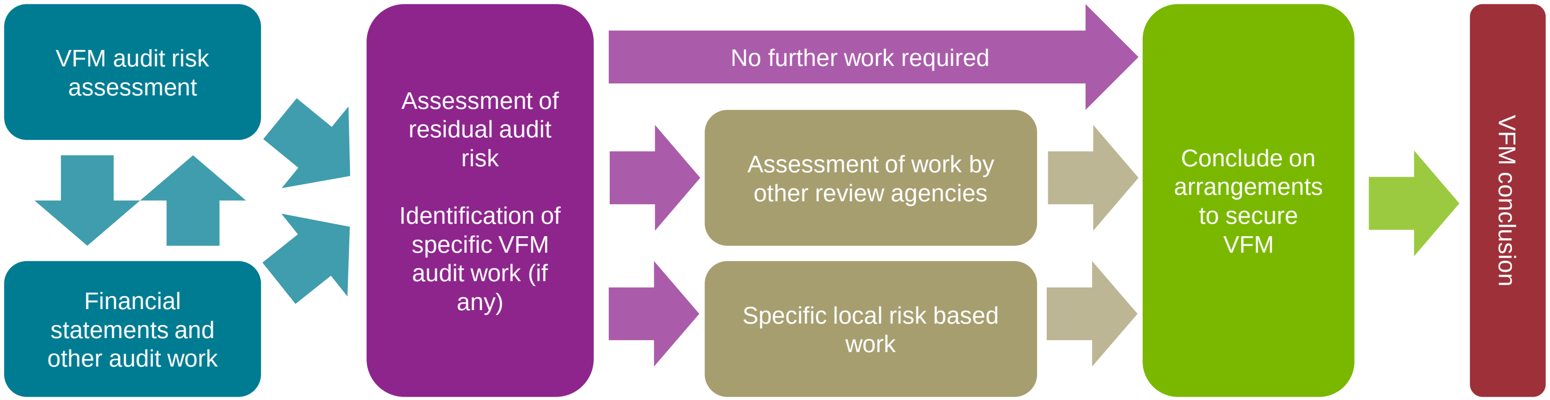
Specified criteria for VFM conclusion	Focus of the criteria	Sub-sections
The organisation has proper arrangements in place for securing **financial resilience**.	The organisation has robust systems and processes to: ■ manage effectively financial risks and opportunities; and ■ secure a stable financial position that enables it to continue to operate for the foreseeable future.	■ Financial governance ■ Financial planning ■ Financial control
The organisation has proper arrangements for challenging how it **secures economy, efficiency and effectiveness**.	The organisation is prioritising its resources within tighter budgets, for example by: ■ achieving cost reductions; and ■ improving efficiency and productivity.	■ Prioritising resources ■ Improving efficiency and productivity

VFM audit approach (continued)

We will follow a risk based approach to target audit effort on the areas of greatest audit risk.

Overview of the VFM audit approach

The key elements of the VFM audit approach are summarised below.



Each of these stages are summarised further below.

VFM audit stage	Audit approach
VFM audit risk assessment	We consider the relevance and significance of the potential business risks faced by all local authorities, and other risks that apply specifically to the Authority. These are the significant operational and financial risks in achieving statutory functions and objectives, which are relevant to auditors' responsibilities under the *Code of Audit Practice*. In doing so we consider: ■ the Authority's own assessment of the risks it faces, and its arrangements to manage and address its risks; ■ information from the Audit Commission's VFM profile tool ; ■ evidence gained from previous audit work, including the response to that work; and ■ the work of other inspectorates and review agencies.

VFM audit approach (continued)

Our VFM audit will draw heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit.

We will then form an assessment of residual audit risk to identify if there are any areas where more detailed VFM audit work is required.

VFM audit stage	Audit approach
Linkages with financial statements and other audit work	There is a degree of overlap between the work we do as part of the VFM audit and our financial statements audit. For example, our financial statements audit includes an assessment and testing of the Authority's organisational control environment, including the Authority's financial management and governance arrangements, many aspects of which are relevant to our VFM audit responsibilities. We have always sought to avoid duplication of audit effort by integrating our financial statements and VFM work, and this will continue. We will therefore draw upon relevant aspects of our financial statements audit work to inform the VFM audit.
Assessment of residual audit risk	It is possible that further audit work may be necessary in some areas to ensure sufficient coverage of the two VFM criteria. Such work may involve interviews with relevant officers and /or the review of documents such as policies, plans and minutes. We may also refer to any self assessment the Authority may prepare against the characteristics. To inform any further work we must draw together an assessment of residual audit risk, taking account of the work undertaken already. This will identify those areas requiring further specific audit work to inform the VFM conclusion. At this stage it is not possible to indicate the number or type of residual audit risks that might require additional audit work, and therefore the overall scale of work cannot be easily predicted. If a significant amount of work is necessary then we will need to review the adequacy of our agreed audit fee.
Identification of specific VFM audit work	If we identify residual audit risks, then we will highlight the risk to the Authority and consider the most appropriate audit response in each case, including: ■ considering the results of work by the Authority, inspectorates and other review agencies; and ■ carrying out local risk-based work to form a view on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

VFM audit approach (continued)

Where relevant, we may draw upon the range of audit tools and review guides developed by the Audit Commission.

We have completed our initial risk assessment and have not identified any risks to our VFM conclusion at this stage. We will update our assessment at year end. We will conclude on the results of the VFM audit through our ISA 260 Report.

VFM audit stage	Audit approach
Delivery of local risk based work	Depending on the nature of the residual audit risk identified, we may be able to draw on audit tools and sources of guidance when undertaking specific local risk-based audit work, such as: ■ local savings review guides based on selected previous Audit Commission national studies; and ■ update briefings for previous Audit Commission studies. The tools and guides will support our work where we have identified a local risk that is relevant to them. For any residual audit risks that relate to issues not covered by one of these tools, we will develop an appropriate audit approach drawing on the detailed VFM guidance and other sources of information.
Concluding on VFM arrangements	At the conclusion of the VFM audit we will consider the results of the work undertaken and assess the assurance obtained against each of the VFM themes regarding the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources. If any issues are identified that may be significant to this assessment, and in particular if there are issues that indicate we may need to consider qualifying our VFM conclusion, we will discuss these with management as soon as possible. Such issues will also be considered more widely as part of KPMG's quality control processes, to help ensure the consistency of auditors' decisions.
Reporting	We will report on the results of the VFM audit through our *ISA 260 Report*. This will summarise any specific matters arising, and the basis for our overall conclusion. The key output from the work will be the VFM conclusion (i.e. our opinion on the Authority's arrangements for securing VFM), which forms part of our audit report.

Audit team

Your audit team has been drawn from our specialist public sector assurance department.

Our audit team has been refreshed this year and Vishal Savjani is the new Assistant Manager on the Authority.

Contact details are shown on page 1.

The audit team will be assisted by other KPMG specialists as necessary.

Neil Bellamy - **Director**

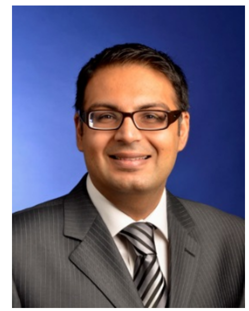
"My role is to lead our team and ensure the delivery of a high quality, valued added external audit opinion.
I will be the main point of contact for the Audit Committee and Chief Executive."

Richard Walton - **Manager**

"I provide quality assurance for the audit work and specifically any technical accounting and risk areas.
I will work closely with Director to ensure we add value.
I will liaise with the Service Director – Finance and Procurement and other Executive Directors."

Sayeed Haris - **Manager**

"I am responsible for the management, review and delivery of the audit of the Authority and Pension Fund.
I will liaise with the Service Director – Finance and Procurement, Head of Finance and Head of Internal Audit."



Vishal Savjani - **Assistant Manager**

"I will be responsible for the on-site delivery of our work on the Authority's financial statements. I will liaise with the Finance Team.
I will also supervise the work of our audit assistants."

Harry Organ – **In-charge (Pension Fund)**

"I will be responsible for the on-site delivery of our work on the Pension Fund. I will liaise with the Pensions Team. I will also supervise the work of our audit assistants."

Audit deliverables

At the end of each stage of our audit we issue certain deliverables, including reports, statements and opinions.

Our key deliverables will be delivered to a high standard and on time.

We will discuss and agree each report as appropriate with the Authority's officers prior to publication.

Deliverable	Purpose	Committee dates
Planning		
External Audit Plan	■ Outlines our audit approach. ■ Identifies areas of audit focus and planned procedures.	April 2015
Substantive procedures		
Report to Those Charged with Governance (ISA 260 Report)	■ Details the resolution of key audit issues. ■ Communicates adjusted and unadjusted audit differences. ■ Highlights performance improvement recommendations identified during our audit. ■ Comments on the Authority's value for money arrangements.	September 2015
Report to Those Charged with Governance of the Pension Fund (ISA 260 Report)	■ Details the resolution of key audit issues. ■ Communicates adjusted and unadjusted audit differences. ■ Highlights performance improvement recommendations identified during our audit.	September 2015
Completion		
Auditor's Report	■ Provides an opinion on the Authority's and Pension Fund accounts (including the Annual Governance Statement). ■ Concludes on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2015
Whole of Government Accounts	■ Provide our assurance statement on the Authority's WGA pack submission.	September 2015
Pension Fund Annual Report	■ We provide an opinion on the consistency of the Pension Fund annual report with the Pension Fund accounts,	September 2015
Annual Audit Letter	■ Summarises the outcomes and the key issues arising from our audit work for the year.	November 2015

Audit timeline

We will be in continuous dialogue with you throughout the audit.

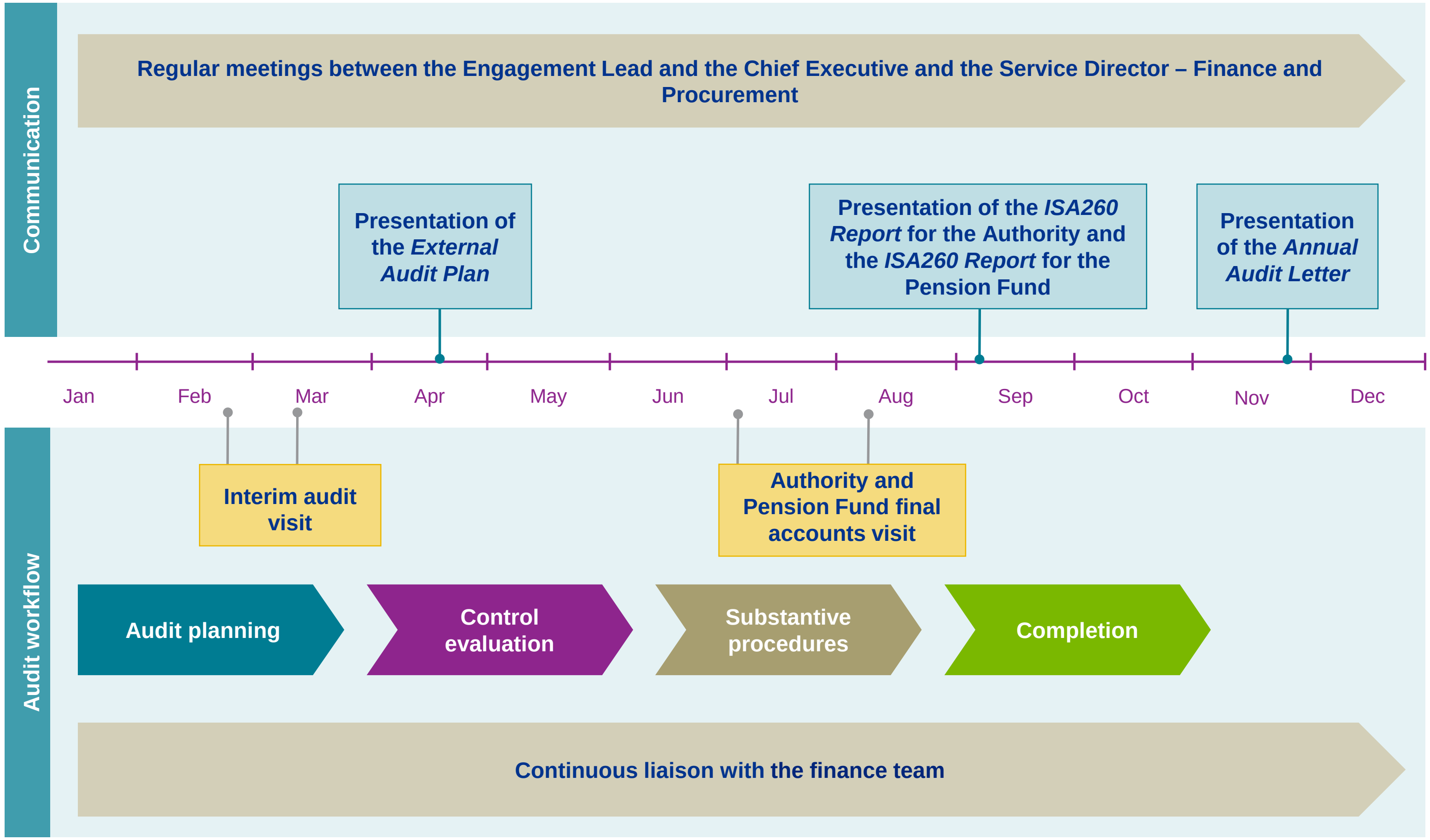
Key formal interactions with the Audit Committee are:

- **April – External Audit Plan;**
- **September – ISA 260 Report;**
- **November – Annual Audit Letter.**

We work with the finance team and internal audit throughout the year.

Our main work on site will be our:

- **Interim audit visits during March.**
- **Final accounts audit during July and August for the Authority and Pension Fund.**



Key: ● Audit Committee meetings.

Audit fee

The main indicative fees for 2014/15 audit of the Authority of £130,950 and £29,926 for the Pension Fund assumed a level of risk similar to last year. It is slightly higher this year due to a number of one off changes and risks identified. We are discussing the impact of this on the audit fee with the Service Director – Finance and Procurement.

Our audit fee remains indicative and based on you meeting our expectations of your support.

Meeting these expectations will help the delivery of our audit within the proposed audit fee.

Audit fee

Our *Audit Fee Letter 2014/15* presented to you in September 2014 first set out our indicative fees for the 2014/15 audit. These assumed a similar risk level to last year.

Element of the audit	2014/15 (indicative)	2013/14 (actual)
Main audit fee	£130,950	£130,950
Pension Fund audit fee	£29,926	£29,926

The fees cover both our opinion on the accounts and VFM conclusion requirements. Mid-year changes to your bank accounts, new pension database, new requirements for accounting for schools, and pension scheme arrangements, mean the risk this year is slightly higher and some limited additional audit work will be required. We are currently discussing the impact on the indicative fees above with the Service Director - Finance and Procurement.

Audit fee assumptions

The fee is based on a number of other assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. In setting the fee, we have assumed:

- you will inform us of any significant developments impacting on our audit;
- you will identify and implement any changes required under the *CIPFA Code of Practice on Local Authority Accounting in the UK 2014/15* within your 2014/15 financial statements;
- you will comply with the expectations set out in our *Accounts Audit Protocol*, including:
  - the financial statements are made available for audit in line with the agreed timescales;
  - good quality working papers and records will be provided at the start of the final accounts audit;
  - requested information will be provided within the agreed timescales;
  - prompt responses will be provided to queries and draft reports;
- internal audit meets appropriate professional standards;
- internal audit adheres to our joint working protocol and completes appropriate work on all systems that provide material figures for the financial statements and we can place reliance on them for our audit; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Meeting these expectations will help ensure the delivery of our audit within the agreed audit fee.

The Audit Commission requires us to inform you of specific actions you could take to reduce the audit fee. Future audit fees can be reduced/ kept to a minimum if the Authority achieves an efficient and well-controlled financial closedown and accounts production process which complies with good practice and appropriately addresses new accounting developments and risk areas.

Changes to the audit plan

Changes to this plan and the audit fee may be necessary if:

- new significant audit risks emerge;
- additional work is required of us by the Audit Commission or other regulators; and
- additional work is required as a result of changes in legislation, professional standards or financial reporting requirements.

If changes to this plan and the audit fee are required, we will discuss and agree these initially with the Service Director – Finance and Procurement.

Appendix 1: Independence and objectivity requirements

This appendix summarises auditors' responsibilities regarding independence and objectivity.

Independence and objectivity

Auditors are required by the Code to:

- carry out their work with independence and objectivity;
- exercise their professional judgement and act independently of both the Commission and the audited body;
- maintain an objective attitude at all times and not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest; and
- resist any improper attempt to influence their judgement in the conduct of the audit.

In addition, the Code specifies that auditors should not carry out work for an audited body that does not relate directly to the discharge of the auditors' functions under the Code. If the Authority invites us to carry out risk-based work in a particular area, which cannot otherwise be justified to support our audit conclusions, it will be clearly differentiated as work carried out under section 35 of the Audit Commission Act 1998.

The Code also states that the Commission issues guidance under its powers to appoint auditors and to determine their terms of appointment. The Standing Guidance for Auditors includes several references to arrangements designed to support and reinforce the requirements relating to independence, which auditors must comply with. These are as follows:

- Auditors and senior members of their staff who are directly involved in the management, supervision or delivery of Commission-related work, and senior members of their audit teams should not take part in political activity.
- No member or employee of the firm should accept or hold an appointment as a member of an audited body whose auditor is, or is proposed to be, from the same firm. In addition, no member or employee of the firm should accept or hold such appointments at related bodies, such as those linked to the audited body through a strategic partnership.
- Audit staff are expected not to accept appointments as Governors at certain types of schools within the local authority.
- Auditors and their staff should not be employed in any capacity (whether paid or unpaid) by an audited body or other organisation providing services to an audited body whilst being employed by the firm.
- Firms are expected to comply with the requirements of the Commission's protocols on provision of personal financial or tax advice to certain senior individuals at audited bodies, independence considerations in relation to procurement of services at audited bodies, and area wide internal audit work.
- Auditors appointed by the Commission should not accept engagements which involve commenting on the performance of other Commission auditors on Commission work without first consulting the Commission.
- Auditors are expected to comply with the Commission's policy for the Engagement Lead to be changed on a periodic basis.
- Audit suppliers are required to obtain the Commission's written approval prior to changing any Engagement Lead in respect of each audited body.
- Certain other staff changes or appointments require positive action to be taken by Firms as set out in the standing guidance.

Appendix 2: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG.

The diagram summarises our approach and each level is expanded upon.

At KPMG we consider audit quality is not just about reaching the right opinion, but how we reach that opinion. KPMG views the outcome of a quality audit as the delivery of an appropriate and independent opinion in compliance with the auditing standards. It is about the processes, thought and integrity behind the audit report. This means, above all, being independent, compliant with our legal and professional requirements, and offering insight and impartial advice to you, our client.

KPMG's Audit Quality Framework consists of seven key drivers combined with the commitment of each individual in KPMG. We use our seven drivers of audit quality to articulate what audit quality means to KPMG.

We believe it is important to be transparent about the processes that sit behind a KPMG audit report, so you can have absolute confidence in us and in the quality of our audit.

Tone at the top: We make it clear that audit quality is part of our culture and values and therefore non-negotiable. Tone at the top is the umbrella that covers all the drives of quality through a focused and consistent voice. Neil Bellamy as the Engagement Lead sets the tone on the audit and leads by example with a clearly articulated audit strategy and commits a significant proportion of his time throughout the audit directing and supporting the team.

Association with right clients: We undertake rigorous client and engagement acceptance and continuance procedures which are vital to the ability of KPMG to provide high-quality professional services to our clients.

Clear standards and robust audit tools: We expect our audit professionals to adhere to the clear standards we set and we provide a range of tools to support them in meeting these expectations. The global rollout of KPMG's eAudIT application has significantly enhanced existing audit functionality. eAudIT enables KPMG to deliver a highly technically enabled audit. All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

Recruitment, development and assignment of appropriately qualified personnel: One of the key drivers of audit quality is assigning professionals appropriate to the Authority's risks. We take great care to assign the right people to the right clients based on a number of factors including their skill set, capacity and relevant experience.

We have a well developed technical infrastructure across the firm that puts us in a strong position to deal with any emerging issues. This includes:

- A national public sector technical director who has responsibility for co-ordinating our response to emerging accounting issues, influencing accounting bodies (such as CIPFA) as well as acting as a sounding board for our auditors.

- A national technical network of public sector audit professionals is established that meets on a monthly basis and is chaired by our national technical director.

- All of our staff have a searchable data base, Accounting Research Online, that includes all published accounting standards, the KPMG Audit Manual Guidance as well as other relevant sector specific publications, such as the Audit Commission's *Code of Audit Practice*.

- A dedicated Department of Professional Practice comprised of over 100 staff that provide support to our audit teams and deliver our web-based quarterly technical training.

Appendix 2: KPMG Audit Quality Framework

We continually focus on delivering a high quality audit.

This means building robust quality control procedures into the core audit process rather than bolting them on at the end, and embedding the right attitude and approaches into management and staff.

Quality must build on the foundations of well trained staff and a robust methodology.

Commitment to technical excellence and quality service delivery: Our professionals bring you up- the-minute and accurate technical solutions and together with our specialists are capable of solving complex audit issues and delivering valued insights.

Our audit team draws upon specialist resources including Forensic, Corporate Finance, Transaction Services, Advisory, Taxation, Actuarial and IT. We promote technical excellence and quality service delivery through training and accreditation, developing business understanding and sector knowledge, investment in technical support, development of specialist networks and effective consultation processes.

Performance of effective and efficient audits: We understand that how an audit is conducted is as important as the final result. Our drivers of audit quality maximise the performance of the engagement team during the conduct of every audit. We expect our people to demonstrate certain key behaviors in the performance of effective and efficient audits. The key behaviors that our auditors apply throughout the audit process to deliver effective and efficient audits are outlined below:

- timely Engagement Lead and manager involvement;
- critical assessment of audit evidence;
- exercise of professional judgment and professional scepticism;
- ongoing mentoring and on the job coaching, supervision and review;
- appropriately supported and documented conclusions;
- if relevant, appropriate involvement of the Engagement Quality Control reviewer (EQC review);
- clear reporting of significant findings;
- insightful, open and honest two-way communication with those charged with governance; and
- client confidentiality, information security and data privacy.

Commitment to continuous improvement: We employ a broad range of mechanisms to monitor our performance, respond to feedback and understand our opportunities for improvement.

Our quality review results

We are able to evidence the quality of our audits through the results of Audit Commission reviews. The Audit Commission publishes information on the quality of work provided by KPMG (and all other firms) for audits undertaken on behalf of them (http://www.audit-commission.gov.uk/audit-regime/audit-quality-review-programme/principal-audits/kpmg-audit-quality).

The latest Annual Regulatory Compliance and Quality Report (issued June 2014) showed that we are meeting the Audit Commission's overall audit quality and regularity compliance requirements.

Appendix 3 : Assessment of fraud risk

We are required to consider fraud and the impact that this has on our audit approach.

We will update our risk assessment throughout the audit process and adapt our approach accordingly.

Members /Officers responsibilities

- Adopt sound accounting policies.
- With oversight from those charged with governance, establish and maintain internal control, including controls to prevent, deter and detect fraud.
- Establish proper tone/culture/ethics.
- Require periodic confirmation by employees of their responsibilities.
- Take appropriate action in response to actual, suspected or alleged fraud.
- Disclose to Audit Committee and auditors:
  - any significant deficiencies in internal controls.
  - any fraud involving those with a significant role in internal controls.

KPMG's identification of fraud risk factors

- Review of accounting policies.
- Results of analytical procedures.
- Procedures to identify fraud risk factors.
- Discussion amongst engagement personnel.
- Enquiries of management, Audit Committee, and others.
- Evaluate controls that prevent, deter, and detect fraud.

KPMG's response to identified fraud risk factors

- Accounting policy assessment.
- Evaluate design of mitigating controls.
- Test effectiveness of controls.
- Address management override of controls.
- Perform substantive audit procedures.
- Evaluate all audit evidence.
- Communicate to Audit Committee and management./officers

KPMG's identified fraud risk factors

- We will monitor the following areas throughout the year and adapt our audit approach accordingly.
  - Revenue recognition.
  - Management override of controls.

Appendix 4: Transfer of Audit Commissions' functions

The Audit Commission will be writing to audited bodies and other stakeholders in the coming months with more information about the transfer of the Commissions' regulatory and other functions.

From 1 April 2015 a transitional body, Public Sector Audit Appointments Limited (PSAA), established by the Local Government Association (LGA) as an independent company, will oversee the Commission's audit contracts until they end in 2017 (or 2020 if extended by DCLG). PSAA's responsibilities will include setting fees, appointing auditors and monitoring the quality of auditors' work. The responsibility for making arrangements for publishing the Commission's value for money profiles tool will also transfer to PSAA.

From 1 April 2015, the Commission's other functions will transfer to new organisations:

- responsibility for publishing the statutory Code of Audit Practice and guidance for auditors will transfer to the National Audit Office (NAO) for audits of the accounts from 2015/16;
- the Commission's responsibilities for local value for money studies will also transfer to the NAO; and
- the National Fraud Initiative (NFI) will transfer to the Cabinet Office.

cutting through complexity™

Nottinghamshire County Council

Report to AUDIT COMMITTEE

1 April 2015

Agenda Item: 8

REPORT OF SERVICE DIRECTOR – FINANCE AND PROCUREMENT

AUDIT OF THE TEACHER'S PENSION RETURN

Purpose of the Report

1. To inform Members of the External Auditors' audit of the Teacher's Pension Return.

Information and Advice

2. From 2012/13 onwards KPMG became responsible for the delivery of an annual report on certification work. There were no audits which came within this scope in 2013/14. Outside of the normal external audit arrangements however, KPMG undertook an audit of the Teacher's Pension Return 2013/14.

3. The Local Authority is responsible for preparing the appropriate return and ensuring that accounting records are maintained which report the financial position of the Teacher's Pension Scheme.

4. The Teacher's Pension Return 2013/14 had a total value of £29.9 million.

5. The auditors conducted their reasonable assurance engagement and concluded that the Teachers' Pension return for the year ended 31 March 2014 had been prepared, in all material respects, in accordance with the regulations underpinning the Teachers' Pension Scheme.

6. The audit fee associated with the audit of the Teacher's Pension Return was £3,000.00.

Other Options Considered

7. This report is for information and noting only.

Reason/s for Recommendation/s

8. To provide information to Members on the Teacher's Pension Return 2013/14.

Statutory and Policy Implications

9. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

1) That Members note the Teacher's Pension Return audit and associated audit fees.

Nigel Stevenson
Service Director – Finance & Procurement

For any enquiries about this report please contact:
Glen Bicknell, Senior Finance Business Partner, Financial Strategy and Compliance

Constitutional Comments (HD 11/03/2015)

10. None – the report is for noting only.

Financial Comments (GB 10/03/2015)

11. The audit fee associated with the Teacher's Pension Return was £3,000.00. This was line with the budget provision in place.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

Nottinghamshire County Council

Report to Audit Committee

1 April 2015

Agenda Item: 9

REPORT OF SERVICE DIRECTOR, FINANCE AND PROCUREMENT

BRIEFING - ROLE OF AUDIT COMMITTEES

Purpose of the Report

1. To inform Members on the presentation of the Role of Audit Committees by the Head of Internal Audit.

Information and Advice

2. The Chair of the Audit Committee has requested a brief presentation on the role of audit committees. The presentation will provide the opportunity for Audit Committee members to explore their individual roles and consider whether further information or training would be beneficial.

Other Options Considered

3. The option of bringing in an independent speaker was considered. The Authority would have been charged for this.

Reason/s for Recommendation/s

4. To provide information to Members on the role of audit committees.

Statutory and Policy Implications

5. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION

1) That the Head of Internal Audit provide a presentation on the role of audit committees and members consider whether they would like further information in this respect.

Nigel Stevenson
Service Director (Finance and Procurement)

For any enquiries about this report please contact:
John Bailey
Head of Internal Audit

Constitutional Comments

6. The report is to provide information.

Financial Comments (JMB 11/3/15)

7. There are no costs arising from this report.

Background Papers

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- Audit Committees – Practical Guidance for Local Authorities and Police (CIPFA)

Electoral Division(s) and Member(s) Affected

- All

Audit Committees

John Bailey
Head of Internal Audit

Nottinghamshire County Council

Purpose of Audit Committees

- Key component of our governance framework
- Provide independent assurance (to those charged with governance) over:-
- Internal control environment
- Integrity of financial reporting
- Risk management framework

Nottinghamshire County Council

Influential Audit Committee (1)

- Good governance
- Effective internal controls
- Effective audit and assurance
- Embedding ethical values and countering fraud
- Improving reporting and accountability

Nottinghamshire County Council

Influential Audit Committee (2)

- Achievement of goals
- Improving value for money
- Effective risk management

Nottinghamshire County Council

Core functions (1)

- Annual Governance Statement
- Internal Audit
- Risk Management
- Assurance Frameworks and Assurance Planning
- Value for Money and Best Value
- Countering Fraud and Corruption

Nottinghamshire County Council

Core Functions (2)

- External Audit
- Financial Reporting
- Partnership Governance

Nottinghamshire County Council

Independence and accountability (1)

- Act as principal non-executive advisory function supporting those charged with governance
- Independent of executive and scrutiny functions
- Rights of access to other committees / functions
- Accountable to Authority's board

Nottinghamshire County Council

Independence and accountability (2)

- Meet regularly
- Able to meet privately with external auditor and head of internal audit
- Right to call on any officers or agencies of the Council
- Report regularly on their work

Nottinghamshire County Council

Membership and Effectiveness

- Membership is balanced, objective, independent of mind, knowledgeable, trained for the role
- Supportive of good governance
- Strong independently minded chair
- Unbiased attitudes
- Ability to challenge when required

Nottinghamshire County Council

What can go wrong?

Examples of cases where governance have failed:-

Local Government
Health Service
Other

Nottinghamshire County Council

Characteristics of failed governance

- Happens over time
- Failure to address concerns / known weaknesses

- DISCUSS?

Nottinghamshire County Council

Questions

Nottinghamshire County Council

Nottinghamshire County Council

Report to Audit Committee

1 April 2015

Agenda Item: 10

REPORT OF CORPORATE DIRECTOR, POLICY, PLANNING AND CORPORATE SERVICES

WORK PROGRAMME

Purpose of the Report

1. To consider the Committee's work programme for 2015/16.

Information and Advice

2. The County Council requires each committee to maintain a work programme. The work programme will assist the management of the committee's agenda, the scheduling of the committee's business and forward planning. The work programme will be updated and reviewed at each pre-agenda meeting and committee meeting. Any member of the committee is able to suggest items for possible inclusion.

3. The attached work programme has been drafted in consultation with the Chairman and Vice-Chairman, and includes items which can be anticipated at the present time. Other items will be added to the programme as they are identified.

4. As part of the transparency introduced by the revised committee arrangements from 2012, committees are expected to review day to day operational decisions made by officers using their delegated powers. It is anticipated that the committee will wish to commission periodic reports on such decisions. The committee is therefore requested to identify activities on which it would like to receive reports for inclusion in the work programme.

Other Options Considered

5. None.

Reason/s for Recommendation/s

6. To assist the committee in preparing its work programme.

Statutory and Policy Implications

7. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are

described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

RECOMMENDATION/S

1) That the committee's work programme be noted, and consideration be given to any changes which the committee wishes to make.

Jayne Francis-Ward
Corporate Director, Policy, Planning and Corporate Services

For any enquiries about this report please contact: Sarah Ashton x 73962

Constitutional Comments (HD)

8. The Committee has authority to consider the matters set out in this report by virtue of its terms of reference.

Financial Comments (NS)

9. There are no financial implications arising directly from this report.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

AUDIT COMMITTEE - WORK PROGRAMME

Report Title	Brief summary of agenda item	For Decision or Information	Lead Officer	Report Author
10 June 2015				
Annual External Audit Fees	To inform Members of proposed external audit fees for 2015/16	Information	Nigel Stevenson	Glen Bicknell/ External Auditor
Mandatory Inquiries	To provide information on the External Auditors' requirement for the provision of information regarding the Council's approach to dealing with fraud, litigation, laws and regulations as part of their audit.	Decision	Nigel Stevenson	Glen Bicknell
Internal Audit Report 2014/15	Report of the Head of Internal Audit providing an internal audit opinion on the Authority's level of internal control during 2014/15	Information	John Bailey	John Bailey
Draft Annual Governance Statement 2014/15	Review and comment on the draft Annual Governance Statement prior to being forwarded on to Full Council to accompany the Statement of Accounts	Decision	John Bailey	John Bailey
2 September 2015				
External Audit Annual Governance Reports	To receive for information, and comment, the External Auditor's Annual Governance Reports on the County Council and Pension Fund, prior to these being forwarded to Full Council for approval	Information	Nigel Stevenson	Glen Bicknell / External Auditor
2 December 2015				
Internal Audit Progress report for 2015/16	To provide details of internal audit work completed to the end of September 2015	Information	John Bailey	John Bailey