

Audit Plan 2011/12 - Progress Report

Audit Committee 23 May 2012

Nottinghamshire County Council

Audit 2011/12

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The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Summary

This report summarises for the Audit Committee's information the progress to the end of April 2012 on the County Council and Pension Fund 2011/12 audits

Background

1 The statutory requirements governing our work are set out in the Audit Commission Act 1998 and the Code of Audit Practice.

2 The Code of Audit Practice (the Code) defines our responsibilities in relation to the financial statements and the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We are required to comply with the Code as well as professional auditing guidelines and standards. The Audit Commission mandates annually specific elements of the audit and inspection work. Our respective roles are also set out in the Audit Commission's published Statement of Responsibilities of Auditors and of Audited Bodies.

3 The initial 2011/12 Audit Plans were agreed at the Audit Committee's May 2011 meeting. The updated Audit Plans and risk assessments were reported to the Audit Committee's March 2012 meeting.

2011/12 Audit Plans - Progress

4 Since the last Audit Committee we have:

- continued to discuss with officers any significant current year accounting issues and their arrangements for closedown and producing and publishing the financial statements;
- liaised with Internal Audit and considered any matters brought to our attention by members of the public;
- completed as much of the interim audit work on the County Council and Pension Fund financial systems as we are able to at this stage; and
- started early substantive testing of the Council and Pension Fund investments; and
- reviewed the Council's arrangements for obtaining the IAS19 Pensions estimates from the Actuary, and the property valuations from the Council's valuer.

5 The updated Audit Plans identified a significant audit risk for the County Council and Pension Fund 2011/12 opinions relating to the changes to the Council's core financial systems during the year. The plans set out the specific audit work we expected to take in response to this risk and progress is summarised in Table 1.

Table 1: Significant Risks - Update

The introduction of the new Business Management System in 2011/12 sees the replacement of many of the Council's financial systems, including the General Ledger. This is a risk for the County Council and the Pension Fund audits as weaknesses in the control and operation of these systems could lead to delays in the accounts' production or result in a material misstatement.

Planned Response	Progress
We will document the new systems and changes in interfaces, and identify and test key controls.	We have documented the systems and tested the key controls as far as possible at this stage. We will complete the remainder of the controls testing, which relates to year-end processes, during the final accounts audit in July 2012.
We will liaise with Internal Audit and where possible rely on their testing of data transferred and interfaces, accounts payable and receivable and payroll.	We have reviewed Internal Audit's work and, in line with auditing standards, re-performed elements of their testing. We have been able to rely on their completed work. We have carried out further 'top-up' testing where necessary to ensure the sample tested covered the full year's transactions and to meet the minimum sample sizes required under our audit approach.
We will rely on Internal Audit's overview and testing of the overall BMS programme.	We have reviewed and been able to rely upon Internal Audit's work.
We will document the new General Ledger system and test controls as appropriate.	We have documented the system and tested the key controls as far as possible at this stage. Some of the key reconciliations were in progress or controls were not fully established at the time we carried out our audit work. We will complete the controls testing, including year end processes and the established procedures, as part of the final accounts audit. We will at the same time carry out additional substantive testing on the bank reconciliation process and any significant correction/adjustment journals.
We will check the opening balances on the SAP General Ledger and transferred data, and test all material feeder system reconciliations to the General Ledger at the year-end.	We have completed the planned work on opening balances and transferred data, with no matters arising. We will complete the planned work on the material reconciliations as part of the final accounts audit.
We will substantively test the SAP Chart of Organisation and classification of income and expenditure transactions.	We have completed the work planned at this stage, with no matters arising. We will carry out the rest of the planned testing as part of the final accounts audit in June/July 2012.

6 No additional significant risks have been identified at this stage for either the County Council or Pension Fund audits. We still expect to contain the planned audit work to address this and other audit risks within the scale fees. We will advise the Committee at its next meeting if this has not been possible.

7 We will continue to liaise with officers regarding the work required to complete the interim audits and the detailed audit of the financial statements. We expect to issue the Annual Governance Reports and proposed audit opinions in time for the September 2012 Audit Committee and County Council meetings.