

Notice of Audit and Governance Committee



Date: Thursday, 25 July 2019 at 6.00 pm

Venue: Town Hall, Bournemouth BH2 6DY

Membership:

Chairman:

To be appointed

Vice Chairman:

To be appointed

Cllr M Andrews
Cllr S Bartlett
Cllr J Beesley

Cllr D Butt
Cllr M Cox
Cllr B Dunlop

Cllr S McCormack
Cllr M White
Cllr L Williams

All Members of the Audit and Governance Committee are summoned to attend this meeting to consider the items of business set out on the agenda below.

The press and public are welcome to attend.

If you would like any further information on the items to be considered at the meeting please contact: or email democratic.services@bcpcouncil.gov.uk

Press enquiries should be directed to the Press Office: Tel: 01202 454668 or email press.office@bcpcouncil.gov.uk

This notice and all the papers mentioned within it are available at democracy.bcpcouncil.gov.uk

GRAHAM FARRANT
CHIEF EXECUTIVE

17 July 2019



Available online and
on the Mod.gov app



AGENDA

Items to be considered while the meeting is open to the public

1. Apologies

To receive any apologies for absence from Councillors.

2. Substitute Members

To receive information on any changes in the membership of the Committee.

Note – When a member of a Committee is unable to attend a meeting of a Committee or Sub-Committee, the relevant Political Group Leader (or their nominated representative) may, by notice to the Monitoring Officer (or their nominated representative) prior to the meeting, appoint a substitute member from within the same Political Group. The contact details on the front of this agenda should be used for notifications.

3. Declarations of Interests

Councillors are required to comply with the requirements of the Localism Act 2011 regarding disclosable pecuniary interests. Declarations received will be reported at the meeting.

4. Election of Chairman of the Audit and Governance Committee

Councillors are asked to elect the Chairman of the Audit and Governance Committee for the 2019/20 Municipal Year.

5. Election of Vice Chairman of the Audit and Governance Committee

Councillors are asked to elect the Vice Chairman of the Audit and Governance Committee for the 2019/20 Municipal Year.

6. Public Issues

To receive any public questions, statements or petitions submitted in accordance with the Constitution. Further information on the requirements for submitting these is available to view at the following link:-

<https://democracy.bcpccouncil.gov.uk/documents/s2305/Public%20Items%20-%20Meeting%20Procedure%20Rules.pdf>

The deadline for the submission of public questions is Thursday 18 July 2019.

The deadline for the submission of a statement is 12.00 noon on Wednesday 24 July 2019.

The deadline for the submission of a petition is 12.00 noon on Wednesday 24 July 2019.

7. Response to a deputation made by the Chairman of Kinson Community Association (KCA) at the last Bournemouth Borough Council (BBC) Audit & Governance Committee 16th January 2019

Response to KCA Question 1 – When, if ever, has the Community Regeneration and Community Centre function of the Council (BBC) been audited?

The function has not been audited in the last six years. Instead other forms of assurance have been used to measure the effectiveness of the Council's Community Regeneration and Community Centre support service, principally the positive and negative feedback from all Centres in Bournemouth.

Internal Audit provided assurance on the effectiveness and adequacy of several related corporate functions relevant to the Landlord status BBC had for Community Centres including Kinson Community Centre (KCC). These included, but were not limited to:

- Health & Safety;
- Fire Safety; and
- Building Maintenance.

Response to KCA Question 2 – Why the Anti-Fraud and Corruption Policy which states that: “The policy will be communicated to all staff, councillors, contractors and other relevant bodies”, clearly is not?

Whilst it was a clear aspiration for every employee to be aware of the Anti-Fraud and Corruption Policy (the Policy), this was extremely difficult to achieve across such a large and diverse workforce. The BBC induction program made all new starters aware the Policy existed and where to find it.

Response to KCA Question 3 – Why, in the experience of KCA, have officers at all levels failed to follow the Anti-Fraud and Corruption Policy?

The then Head of Community Regeneration took the view that BBC's Anti-Fraud and Corruption Policy did not apply in this case.

A subsequent 'Independent Reviewer' produced a series of findings which stated that BBC employees acted (quote) '*appropriately, reasonably and professionally*' during their respective interactions with KCA.

The Service Director for Communities (BCP Council) is implementing two recommendations made by the independent reviewer to foster and improved landlord (BCP) / tenant (KCA) relationship

8. Use of Regulation of Investigatory Powers Annual (RIPA) Report 2018/19 for the legacy Councils, Bournemouth, Christchurch and Poole.

The legacy Councils have not made use of RIPA powers during the 2018/19 financial year.

9. 2018/19 Annual Breaches, Waivers & Exemptions Report for the three legacy Councils (Bournemouth, Christchurch and Poole Councils)

This report sets out the breaches, waivers and exemptions of Financial Regulations which have occurred during the 2018/19 financial year for the three legacy Councils and highlights the following:

	Breaches	Waivers & Exemptions (agreed by the Chief Finance Officer)
Bournemouth	1	59
Christchurch	0	8
Poole	3	26
Total (Count)	4	93
Total (£ value)	£3,083	£8.5M

The relatively low number (and £ value) of breaches and the broadly similar number of waivers to previous years indicate that there was generally a good level of understanding of the Regulations.

Whilst full compliance can never be guaranteed and ‘under-reporting’ is an inherent possibility, arrangements were in place to detect instances of non-compliance.

An effective and transparent breaches / waivers / exemptions governance process maximises the chances of the Council(s) achieving value for money and complying with UK law (Public Contract Regulations 2015) when procuring goods, services or works.

10. The Chief Internal Auditor's Annual Report & Opinion for the three legacy Councils (Bournemouth, Christchurch and Poole Councils)

It is the opinion of the Chief Internal Auditor that for the three legacy councils:

- arrangements were in place to ensure an adequate and effective internal control environment and where weaknesses were identified there was an appropriate action plan in place to address them;
- the systems and internal control arrangements were effective and agreed policies and regulations were complied with;
- adequate arrangements were in place to deter and detect fraud;
- there was an appropriate and effective risk management framework;
- managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls;
- the respective Councils' internal audit service was effective and compliant with all regulations and standards as required of a professional internal audit service; and that

the arrangements, at the respective Councils, in respect of the Chief Internal Auditor were consistent with all of the five principles set out in the CIPFA publication “The Role of the Head of Internal Audit in Public Sector Organisations”.

<p>11. Annual Governance Statement 2018-2019 – For the three legacy Councils, Bournemouth Christchurch and Poole</p> <p>The Accounts and Audit Regulations 2015 require councils to produce an Annual Governance Statement (AGS) to accompany its Statement of Accounts.</p> <p>This report seeks approval for the Annual Governance Statements for the three legacy Bournemouth, Christchurch and Poole councils.</p> <p>For all three legacy Councils ‘the governance arrangements were fit for purpose and in accordance with the respective governance framework in place at each council’.</p> <p>After considering all the sources of assurance (of governance arrangements) in the legacy councils, BCP Corporate Management Board identified that the following significant governance issues existed.</p> <ul style="list-style-type: none"> • Bournemouth – Information Governance and governance related issues raised in the Ofsted inspection of Children’s Social Services; • Christchurch – none; and • Poole – Information Governance. <p>Action plans to address these significant governance issues, which continue to be relevant for BCP Council, has been produced and is being implemented.</p>	<p>77 - 108</p>
<p>12. External Audit Plans 2018/19 for the three legacy Councils (Bournemouth, Christchurch and Poole Councils)</p> <p>The attached reports set out the work that the Councils’ External Auditors, Grant Thornton, planned to undertake for the audit of the three legacy Councils’ Statement of Accounts in respect of 2018/19 (as previously agreed by legacy Council Audit Committees).</p> <p>The External Auditors planned to give an opinion on whether the accounts give a true and fair view and whether the Councils have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.</p>	<p>109 - 160</p>
<p>13. External Audit - Audit Findings Reports 2018/19 for the three legacy Councils (Bournemouth, Christchurch and Poole Councils)</p> <p>The attached reports set out the findings of the Councils’ external auditor following their audit of the three legacy Councils’ Statement of Accounts 2018/2019. The key points to note are:</p> <ul style="list-style-type: none"> • Grant Thornton anticipate providing an unqualified opinion on the financial statements for each of the three legacy Councils; and that Grant Thornton were satisfied that, in all significant respects, the three legacy Councils had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources (unqualified VFM conclusion). 	<p>161 - 164</p>

14. Statement of Accounts 2018/19	165 - 196
<p>This report presents the 2018/19 Statement of Accounts for each of the three predecessor councils, Bournemouth, Christchurch and Poole.</p> <p>Each of the Statement of Accounts has been prepared in accordance with the CIPFA Local Authority Accounting Code of Practice, and presents a True and Fair view of the relevant authority's financial performance for 2018/19 and financial position as at 31 March 2019.</p> <p>This report explains any key changes, highlights any significant issues, and provides an opportunity for robust Member scrutiny prior to their formal approval.</p>	
15. Internal Audit – Audit Charter 2019/20, Audit Plan 2019/20 and Quarterly Audit Plan Update Qtr1 2019/20	197 - 222
<p>This report sets out the Internal Audit Charter and Audit Plan for 2019/20. Approval of these documents by the Audit and Governance Committee is a requirement of the Public Sector Internal Audit Standards (PSIAS).</p> <p>The report also details progress made on delivery of the 2019/20 Audit Plan for the period April to June (inclusive) 2019. The report highlights that:</p> <ul style="list-style-type: none"> • Three audit assignments have been completed (all 'Reasonable' audit opinion); • Twenty audit assignments are in progress; • Implementation of audit recommendations is satisfactory; <p>There are no other significant issues to report.</p>	
16. Risk Management – Corporate Risk Register Update	223 - 240
<p>This report updates Members on the position of the Council's Corporate Risk Register following the quarterly review by the Corporate Management Board. The main changes are as follows:</p> <ul style="list-style-type: none"> • No new risks have been added to the Council's Corporate Risk Register during the quarter; • The overall risk score on the following risks have been reduced (risk score equals an assessment of the likelihood and impact of the risk occurring) <ul style="list-style-type: none"> ○ CRR04 - Failure to provide adequate IT and cyber security ○ CRR06 - Failure to adequately respond to an incident involving the activation of the emergency plan ○ CRR07 - Failure to provide adequate services as a result of an incident requiring a business continuity response; • Corporate Risk CRR08 has been removed during this quarter; <p>Each of the risks have been reviewed and including the Actions Completed and the Actions Proposed.</p>	

17. Arrangements for the Registration of Gifts and Hospitality for BCP Council Officers	To Follow
18. Forward Plan 2019/20 This report sets out the core reports to be received by the Audit & Governance Committee for the 2019/20 financial year in order to enable it to fulfil its terms of reference.	241 - 244

No other items of business can be considered unless the Chairman decides the matter is urgent for reasons that must be specified and recorded in the Minutes.

This page is intentionally left blank



AUDIT AND GOVERNANCE COMMITTEE

Report subject	Response to a deputation made by the Chairman of Kinson Community Association (KCA) at the last Bournemouth Borough Council (BBC) Audit & Governance Committee 16th January 2019
Meeting date	25 July 2019
Status	Public report
Executive Summary	<p>Response to KCA Question 1 – When, if ever, has the Community Regeneration and Community Centre function of the Council (BBC) been audited?</p> <p>The function has not been audited in the last six years. Instead other forms of assurance have been used to measure the effectiveness of the Council’s Community Regeneration and Community Centre support service, principally the positive and negative feedback from all Centres in Bournemouth.</p> <p>Internal Audit provided assurance on the effectiveness and adequacy of several related corporate functions relevant to the Landlord status BBC had for Community Centres including Kinson Community Centre (KCC). These included, but were not limited to:</p> <ul style="list-style-type: none"> • Health & Safety; • Fire Safety; and • Building Maintenance. <p>Response to KCA Question 2 – Why the Anti-Fraud and Corruption Policy which states that: “The policy will be communicated to all staff, councillors, contractors and other relevant bodies”, clearly is not?</p> <p>Whilst it was a clear aspiration for every employee to be aware of the Anti-Fraud and Corruption Policy (the Policy), this was extremely difficult to achieve across such a large and diverse workforce. The BBC induction program made all new starters aware the Policy existed and where to find it.</p>

	<p>Response to KCA Question 3 – Why, in the experience of KCA, have officers at all levels failed to follow the Anti-Fraud and Corruption Policy?</p> <p>The then Head of Community Regeneration took the view that BBC’s Anti-Fraud and Corruption Policy did not apply in this case.</p> <p>A subsequent ‘Independent Reviewer’ produced a series of findings which stated that BBC employees acted (quote) ‘<i>appropriately, reasonably and professionally</i>’ during their respective interactions with KCA.</p> <p>The Service Director for Communities (BCP Council) is implementing two recommendations made by the independent reviewer to foster and improved landlord (BCP) / tenant (KCA) relationship</p>
<p>Recommendation(s)</p>	<p>That Audit & Governance Committee:</p> <ul style="list-style-type: none"> • note the responses to the specific questions raised in the deputation; • note the actions proposed to foster an improved landlord (Bournemouth, Christchurch & Poole Council), tenant (KCA) relationship; • note no further action will be taken.
<p>Reason for recommendation(s)</p>	<p>To ensure that Audit and Governance Committee are aware of the issues arising from the deputation made to the last Bournemouth Borough Council Audit & Governance Committee.</p>

Portfolio Holder(s):	Councillor Vikki Slade (Leader of the Council)
Corporate Director	Julian Osgathorpe - Corporate Director Resources
Contributors	Nigel Stannard (Head of Audit & Management Assurance) Kelly Ansell (Service Director Communities) Jane Portman (Former Managing Director of Bournemouth Borough Council) Bill Cotton (Corporate Director Regeneration & Economy)
Wards	Kinson
Classification	For update and information

Background

1. The Chairman of Kinson Community Association (KCA) made a deputation to the last Bournemouth Borough Council (BBC) Audit & Governance Committee on 16th January 2019.
2. This report provides a response to the three specific questions raised in the deputation. It also provides a summary of plans to foster an improved landlord/tenant relationship (between BCP Council (the landlord) and KCA (the tenant)) through a series of mediation style meetings.
3. KCA, or representatives of KCA, have also raised informal and formal complaints and allegations over a period of about three years starting in October 2014. This report also summarises action taken by BBC to address these complaints and allegations.

Response to KCA Question 1 – When, if ever, has the Community Regeneration and Community Centre function of the Council (BBC) been audited?

4. The function was not specifically audited in the recent past. Internal Audit records and reports are retained for six years (six plus the current year) and in this time the function was not subject to audit.
5. The Internal Audit Team worked to a risk-based Audit Plan which was approved by the BBC Audit & Governance Committee on an annual basis and which prioritised the resources available. The Community Centre support function, which was approximately one full time equivalent staff member, was not considered a high-risk service (to BBC/the local tax-payer) and as such did not warrant any Internal Audit independent appraisal / assurance on the effectiveness and / or adequacy of arrangements.

6. Instead, reliance on other forms of assurance existed, the principle one being the positive and negative feedback from Community Centres themselves which shaped the way the support service operated.
7. Internal Audit provided assurance on the effectiveness and adequacy of several related corporate functions relevant to the Landlord status BBC had for Community Centres including Kinson Community Centre (KCC). These included, but were not limited to:
 - Health & Safety;
 - Fire Safety; and
 - Building Maintenance.
8. These audits provided assurance that BBC was effectively and adequately managing risks (specific to those audit headings) across the estate portfolio, including where it only has landlord responsibilities (like at KCC).
9. As part of the preparations for the new Bournemouth, Christchurch and Poole (BCP) Council, the BCP Programme Board has agreed that Internal Audit will continue to operate to a risk-based model aligning scarce resource to those areas considered highest risk.

Response to KCA Question 2 – Why the Anti-Fraud and Corruption Policy which states that: “The policy will be communicated to all staff, councillors, contractors and other relevant bodies”, clearly is not?

10. BBC had about 2,600 employees and a further 250 in shared service roles where the Borough of Poole (BoP) was the employer. Whilst it was a clear aspiration for every employee to be aware of the Anti-Fraud and Corruption Policy (the Policy), this was extremely difficult to achieve across such a large and diverse workforce. However, the BBC induction program made all new starters aware the Policy existed and where to find it.
11. More generally, BBC had a range of fraud awareness training and personal/professional development opportunities, which incorporated communicating the Policy, including:
 - an E-learning module (part of the mandatory e-learning suite for BCP Council going forward);
 - a Fraud Awareness Newsletter produced by Internal Audit and posted on BIZ (and BoP LOOP); and
 - Bespoke training by Internal Audit on request.
12. Consequently, a significant proportion of the workforce was aware of the Policy; but this is hard to evidence and quantify. The BCP Head of Audit & Management Assurance will consider whether any positive future evidence or assurance can be obtained utilising BCP Council’s HR system through self-declaration. i.e. Staff

could self-declare that they are aware of and have read certain key policies utilising available functionality in the HR system.

13. The deputation question stems from the KCA Chairman (the Chairman) asking to see the BBC's Anti-Fraud and Corruption Policy via a Freedom of Information (FOI) request on 4th October 2018. The Chairman was erroneously told on the 5th October 2018 that BBC did not have such a Policy. The BBC Head of Information Governance, or her representative, sent a letter of apology to the Chairman explaining this was an error made in good faith and BBC did in fact have such a Policy, and which was subsequently provided.
14. The Chairman stated in the deputation that (quote): '*as a result of my raising this, it (the Policy) has now been put on the Council's intranet and also the Council website to be accessible to the public*'. This statement is partially correct – BBC's intranet (BIZ) always had the Policy shown within it, accessible to all staff and councillors. BBC's website did not contain the Policy, thus it was not transparently available to the public. This was corrected on the 23rd October 2018.

Response to KCA Question 3 – Why, in the experience of KCA, have officers at all levels failed to follow the Anti-Fraud and Corruption Policy?

15. In approximately 2014 when complaints and allegations were first made, the then Head of Community Regeneration took the view that BBC's Anti-Fraud and Corruption Policy did not apply in this case (see paras 18 to 22 for explanation why). KCA were advised to contact the Police if they suspected fraud or corruption. KCA contested, and continue to contest, this view and think the Policy should have applied.
16. With the benefit of hindsight, it may have been in BBC's interest to have applied the Policy. In crude / simplistic terms this would have required the BBC Head of Audit & Management Assurance (HAMA) to become involved, to determine the investigation required and to report findings.
17. That said the independent investigation (see paras 26-31) does all of this and had the benefit of being external to BBC. Had BBC conducted the investigation and concluded as the independent investigator has done, then a probable accusation, given what has followed, could have been one of 'cover up' and the investigation lacking independence.

Summary of why the then Head of Community Regeneration (BBC) took the view that the Policy did not apply

18. BBC had a landlord / tenant relationship with KCA. The day to day operational systems, processes and governance arrangements of the tenant (subject to any relevant lease clauses) were not the responsibility of BBC.

19. BBC's Communities Manager had a role to support and advise on such matters but KCA was not formally obliged to follow this advice and support except where it may impact any lease terms.
20. KCA contest that the Policy should have applied because (quote): *'up to December 2015, Kinson Community Centre was managed by Bournemouth Borough Council (BBC) staff*. Whilst an individual was employed by BBC this was purely to facilitate pay/payroll arrangements because KCA did not have a pay facility at the time. For many years (at least back to 2004) the Trustees / Charity ran the Centre including providing operational instruction and management of all staff therein. To state that BBC (or its staff) managed the centre was false – the 'acid test' being why have trustees/the KCA charity at all if that was the case?
21. With the benefit of hindsight, BBC should have insisted on TUPE transfer of the employee in question to the Charity (KCA) albeit to agree to carry on facilitating the actual payroll arrangements. However, at the time this was seen as unnecessary and a much more informal arrangement to achieve the same purpose was instead agreed.
22. Putting aside whether the Policy applied or not there was no evidence of fraud or corruption in any case. KCA contested this view but they did not, and have not subsequently, provided BBC, the Police or the independent investigator (See para 26-31) with any evidence to suggest otherwise.

Other Issues Arising – Planned mediation to foster improved relationships

23. Before the deputation was made and following the outcome of the independent investigation being shared with KCA, the then Head of Communities, Enforcement and Regulatory Services was planning to approach KCA to offer a series of mediation meetings to foster an improved landlord/tenant relationship.
24. Indeed, from the landlord (BBC and now BCP) perspective Health & Safety and Fire Safety meetings have already taken place and have been very positive. Informal feedback from KCA has also indicated these meetings to be positive, but for the avoidance of any doubt no official or written feedback has been received, and this report in no way attributes any representative of KCA to such comments.
25. The former BBC Managing Director made an offer to the KCA Chairman in June 2018, at no cost to KCA, for some BBC Internal Audit time to provide the Trustees with some independent assurance on the adequacy of systems and processes within the Association. This offer was not taken up but remained open until BBC ceased to exist.

Other Issues Arising – External Independent investigation

26. KCA made several complaints and allegations to BBC over a fairly protracted period (about 3 years), all of which BBC believe had been appropriately responded to. KCA did not share this view.
27. Eleven specific historic allegations were summarised by the then new KCA Chairman in a formal complaint letter dated 11th May 2017.
28. A separate formal complaint was also received on 5th June 2018 concerning the conduct of BBC officers during a Fire Safety visit on 19th April 2018. This complaint made a further nine specific allegations.
29. To bring matters to a satisfactory end for both parties (BBC and KCA), the BBC Managing Director, after consultation with the KCA Chairman, commissioned an independent investigator, a specialist in conducting and managing workplace investigations, to consider both formal complaints (paras 27 and 28) and report their findings to all twenty specific allegations (eleven, plus nine).
30. This independent review cost £12,157; these costs were met in full by BBC in the 2018/19 accounts.
31. The independent investigator produced a series of findings which stated that BBC employees acted (quote) '*appropriately, reasonably and professionally*' during their respective interactions with KCA and that all twenty of the specific allegations made were unsubstantiated.
32. The independent investigator made two recommendations:
- Consider setting up mediation meetings to rebuild an effective working relationship (*note: this tallies with the plans of the then BBC Head of Communities, Enforcement and Regulatory Services as mentioned in para 23*); and
 - Nominate a Council employee to be the primary point of contact for all matters relating to the Centre going forward.

BCP Council's Service Director of Communities will ensure these recommendations are implemented.

Summary of Financial Implication

33. Response to this deputation has been provided from within existing base budget allocations.
34. Total Officer time taken to respond to this deputation has been approximately 10 hours.
35. The independent investigation cost £12,157; these costs were met in full by BBC.

Summary of Legal Implications

36. There are no direct legal implications from this report. A Landlord / tenant contract/agreement (lease) is in place.

Summary of Human Resource Implications

37. There are no direct human resource implications from this report.

Summary of Environmental Impact

38. There are no direct environmental implications from this report.

Summary of Public Health Implications

39. There are no direct public health implications from this report.

Summary of Equality Implications

40. There are no direct environmental implications from this report.

Summary of Risk Assessment

41. The risk implications are as set out in the report.

Background Papers

None.

Appendices

None.



AUDIT AND GOVERNANCE COMMITTEE

Report subject	Use of Regulation of Investigatory Powers Annual (RIPA) Report 2018/19 for the legacy Councils, Bournemouth, Christchurch and Poole.
Meeting date	25 July 2019
Status	Public
Executive Summary	The legacy Councils have not made use of RIPA powers during the 2018/19 financial year.
Recommendation(s)	It is RECOMMENDED that: Members of the Audit & Governance Committee note that the Councils have not made use of powers under the Regulation of Investigatory Powers Act during the 2018/19 financial year.
Reason for recommendation(s)	To ensure transparency in respect of the Councils use of its powers under the Regulation of Investigatory Powers Act.

Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Contributors	Tanya Coulter (Service Director, Law & Governance) Nigel Stannard (Chief Internal Auditor)
Wards	All Wards
Classification	For Information

Background

1. The Regulation of Investigatory Powers Act (RIPA) was enacted in 2000 to regulate the manner in which certain public bodies may conduct surveillance and access a person's electronic communications and to ensure that the relevant investigatory powers are used in accordance with human rights. The provisions of the Act include:
 - the interception of communications;
 - the acquisition of communications data (e.g. billing data);
 - intrusive surveillance (on residential premises/in private vehicles);
 - covert surveillance in the course of specific operations;
 - the use of covert human intelligence sources (agents, informants, undercover officers); and
 - access to encrypted data.
2. The revised Code of Practice for Covert Surveillance published by the Home Office in 2010 identifies **as a matter of best practice that elected members of an authority should review the authority's use of RIPA at least once a year.** The purpose of this annual report is to set out the level and nature of the legacy councils use of covert surveillance under RIPA.

Use of RIPA by the legacy Councils

3. Overall responsibility for the use of RIPA lies with the most senior council officer who acts as the Senior Responsible Officer referred to in paragraph 3.28 of the Home Office revised Code of Practice. The respective Monitoring Officers were the legacy councils Authorising Officer in respect of RIPA applications and maintained a register of authorisations applied for.
4. The use of covert surveillance techniques can assist councils in delivering objectives in areas such as crime, anti-social behaviour and licensing. As a result of complying with RIPA, the Council only invokes these powers as a last resort where overt surveillance is not possible.
5. During the 2018/2019 financial year, the legacy Councils have **not** made use of powers under RIPA and the Councils RIPA Authorising Officers have not approved the use of covert surveillance techniques in any cases.

Summary of Financial Implications

6. There are no direct financial implications from this report.

Summary of Legal Implications

7. The Council must follow Regulation of Investigatory Powers Act (RIPA) requirements should it wish to enact covert surveillance.

Summary of Human Resource Implications

8. There are no direct human resource implications from this report.

Summary of Environmental Impact

9. There are no direct environmental implications from this report.

Summary of Public Health Implications

10. There are no direct public health implications from this report.

Summary of Equality Implications

11. There are no direct equalities implications from this report.

Summary of Risk Assessment

12. There are no direct risk implications from this report.

Background Papers

None

Appendices

None

This page is intentionally left blank



AUDIT AND GOVERNANCE COMMITTEE

Report subject	2018/19 Annual Breaches, Waivers & Exemptions Report for the three legacy Councils (Bournemouth, Christchurch and Poole Councils)																		
Meeting date	25 July 2019																		
Status	Public Report																		
Executive Summary	<p>This report sets out the breaches, waivers and exemptions of Financial Regulations which have occurred during the 2018/19 financial year for the three legacy Councils and highlights the following:</p> <table border="1" data-bbox="655 857 1331 1189"> <thead> <tr> <th></th> <th>Breaches</th> <th>Waivers & Exemptions (agreed by the Chief Finance Officer)</th> </tr> </thead> <tbody> <tr> <td>Bournemouth</td> <td>1</td> <td>59</td> </tr> <tr> <td>Christchurch</td> <td>0</td> <td>8</td> </tr> <tr> <td>Poole</td> <td>3</td> <td>26</td> </tr> <tr> <td>Total (Count)</td> <td>4</td> <td>93</td> </tr> <tr> <td>Total (£ value)</td> <td>£3,083</td> <td>£8.5M</td> </tr> </tbody> </table> <p>The relatively low number (and £ value) of breaches and the broadly similar number of waivers to previous years indicate that there was generally a good level of understanding of the Regulations.</p> <p>Whilst full compliance can never be guaranteed and ‘under-reporting’ is an inherent possibility, arrangements were in place to detect instances of non-compliance.</p> <p>An effective and transparent breaches / waivers / exemptions governance process maximises the chances of the Council(s) achieving value for money and complying with UK law (Public Contract Regulations 2015) when procuring goods, services or works.</p>		Breaches	Waivers & Exemptions (agreed by the Chief Finance Officer)	Bournemouth	1	59	Christchurch	0	8	Poole	3	26	Total (Count)	4	93	Total (£ value)	£3,083	£8.5M
	Breaches	Waivers & Exemptions (agreed by the Chief Finance Officer)																	
Bournemouth	1	59																	
Christchurch	0	8																	
Poole	3	26																	
Total (Count)	4	93																	
Total (£ value)	£3,083	£8.5M																	
Recommendation(s)	<p>It is RECOMMENDED that:</p> <p>The Audit & Governance Committee note the breaches, waivers and exemptions of Financial Regulations that occurred during 2018/19 for the three legacy Councils.</p>																		

Reason for recommendation(s)	To comply with the legacy Councils' respective Financial Regulations which require that all breaches, waivers and exemptions are considered annually by the Audit & Governance Committee.
Portfolio Holder(s):	Councillor Vikki Slade (Leader of the Council)
Corporate Director	Julian Osgathorpe, Corporate Director Resources
Report Author(s)	Nigel Stannard (Head of Audit & Management Assurance) Simon Milne (Deputy Chief Internal Auditor) Jeremy Richardson (Head of Strategic Procurement)
Wards	All Wards
Classification	For Information

Background

1. The respective three legacy Councils' Financial Regulations set out the procedures and standards for financial management and control, and specifically:
 - the purpose of each section in the relevant Part of the Regulations (why it is important);
 - the standards and controls that must be observed (how the Regulations serve to facilitate the good governance and the proper administration of the Councils financial affairs);
 - the specific roles and responsibilities of Councillors, the Chief Executive, the Chief Financial Officer (CFO) / S151 Officer, the Monitoring Officer and other named Officers in relation to doing so (the accountability framework); and
 - detailed procedure notes and relevant financial thresholds where these apply (what must be done and in what way).
2. The Regulations of each respective legacy Council were different and consequently what may have been a breach, waiver or exemption in one Council may not have been so in another. This report does not seek to explain those differences and merely transparently reports the factual position relative to the Regulations that were in place for each legacy Council.
3. The Regulations required that all breaches, waivers and exemptions of the financial regulations were reported to the CFO / S151 Officer or their delegated officer along with details of any management action to address the issues arising from this authorisation. A combination of Internal Audit and the Strategic Procurement Teams maintained a record of all Breaches, Waivers and Exemptions to enable full, transparent and accurate reporting to Audit & Governance Committee.

Breaches of Financial Regulations

4. During the 2018/19 financial year four breaches of the legacy Councils' Financial Regulations were identified, totalling £3,083, and as summarised in the table below:

Legacy Council	Breach Ref.	Service Unit	Breach	Value
Bournemouth	1	Environmental	Failure to obtain approval from the Head of ICT for purchasing three mobile phones.	£1,500
Christchurch	-	-	-	-
Poole	2 & 3	Culture & Community Learning	Failure to keep income in secure storage and to ensure proper administration of petty cash resulting in loss	£183
Poole	4	Financial Services	Failure to obtain ICT approval for purchase of two Galaxy tablets, mobile printer and barcode scanner (in 2012)	£1,400
Total				£3,083

5. This low level (and £ value) of breaches across all three legacy Councils suggests a good level of understanding of the requirements amongst managers and officers at the legacy Councils which has resulted in good compliance with the Regulations.
6. While it is not possible to say that there have been no further breaches, at the current time none have been brought to the attention of, or have been identified by, the Head of Audit & Management Assurance or the Head of Strategic Procurement for the reporting period considered here.

Waivers and Exemptions of Financial Regulations

7. Sometimes circumstances mean that it may not be possible for Senior Responsible Officers to comply with a specific part of the Regulations. For example:
- technical issues where despite a full tendering process being undertaken the number of valid tender returns did not match the requirement in the Regulations; or
 - accelerated procurement because of the necessity to deal with an urgent business need.

As a result, the Regulations allowed for a request to be made to the CFO/S151 Officer to waive or exempt normal practice requirements. The ability of the respective CFO's to approve waiver or exemption requests was limited at all times to the specific requirements of UK legislation and/or directives. Consequently some requests were declined and the Regulations were followed in full.

8. During the period 1 April 2018 to 31 March 2019, a total of 93 requests were approved by the respective CFO's. The contract value of these waivers totalled £8.5M (this is a rounded figure).
9. A summary by classification type of waivers/exemptions approved by the CFO's is set out in the table below and more details of each waiver is set out in Appendix 1 for Bournemouth (BBC), Appendix 2 for Christchurch (CBC) and Appendix 3 for Poole (BoP).

Waiver Type	BBC	CBC	BoP	Total
Contract Modification (extension)	4	1	6	11
Competition or open advertising requirements not met	54	4	12	70
Urgency	1	1	5	7
Other *	0	2	3	5
Total (Count)	59	8	26	93
Total (£ value in £M)	£5.5	£0.3	£2.7	£8.5

*examples include payments in advance greater than £10,000 or six months, or not using an available corporate contract,

10. If a member of this Committee has a question pertaining to any specific waiver in the Appendices then it may be necessary to answer the question outside of the committee meeting as the Head of Audit & Management Assurance may not have detailed explanations to hand for all 93 records. However, further explanations on some of the more significant waivers (by £ value) are outlined below broken down by legacy Council:

- Bournemouth

- Record 25, waiver reference W00406, Recycling Disposal Contract interim arrangements, £540,000.

A contract modification (extension) with the incumbent supplier, Viridor Waste Management, for the period 1st July 2018 to 31st March 2019 to provide an interim arrangement to process Bournemouth recyclable material until vesting day of the new BCP Council.

- Record 47, waiver reference W00447, Development at St Georges Drive, West Howe, £1,554,666

The Council purchased an on-going land and build scheme for nine affordable housing units to be owned and managed within the Housing Revenue Account (HRA). For expedience the Council used the developer's delivery partner who already had control of the site and who were retained under a JCT design and build contract. The waiver value was benchmarked against recent openly advertised tenders for new build affordable housing schemes.

- Poole

- Record 21, waiver reference 124, Sterte Court cladding and retro fit sprinkler system, £1,030,000.

A major maintenance programme of works was undertaken across the Sterte tower blocks and completed in 2014. Following ongoing quality

review and checks on the work completed it has emerged that there are failings in the workmanship delivered and this means that the cladding façade needs to be removed and replaced with more effective fittings. This rectification work is the responsibility of the original contractor (Keepmoat, now known as Engie) and will be completed under the original design and build contract with no financial risk to the council.

Given the ongoing national debate around fire safety, the choice of the cladding as a façade and that this cladding would be removed in any case to make good on the work, the council took the decision to review the cladding used and to understand whether enhancements could be made to the original design. The original cladding was not the type used at Grenfell and has met all fire safety tests. However it is not a class A (non combustible material) and the council was committed to ensuring that choices on facade reflected the best available rather than the minimum standards. This would also ensure that choices made now are fit for purpose for the next 30 years. The council therefore instructed Engie to upgrade the cladding choice to a class A material and made available resources (£0.5m) to meet the enhanced cost of doing this.

In addition the council also took a decision following the Grenfell fire that all council owned tower blocks should be fitted with fire suppressant sprinkler systems. This would enhance the already good measures to manage fire within these blocks and provide additional assurance to residents. The work to complete this within the Old Town will be delivered as part of the Project Admiral contract that was awarded to United Living in May 2019. When considering how to deliver the work at Sterte Court, the council was mindful of the work to be completed to the façade and that Engie would be on site for the next 18 months. Engie has a good knowledge of the building and it would not be practical to have 2 main contractors working on the same site, therefore the decision was taken to award the sprinkler contract to Engie in order to deliver the works at the same time of the façade works. This will also enable economies of scale through only paying one set of mobilisations costs, with this being tested for value against the market tested service in the Old Town. It also has the advantage of limiting disruption to the residents with one contractor coordinating works.

11. On a more general note, several contracts across all three legacy Councils were modified (extended) to allow headroom for local government reorganisation consolidation or re-imagination of service delivery. In these cases there are lawful restrictions/thresholds on the extent that contracts can be modified, both in terms of contract length and £ value. In all cases shown these lawful restrictions / thresholds were complied with.

Summary of Financial Implications

12. An effective and transparent breaches/waivers/exemptions governance process maximises the chances of achieving value for money when procuring goods, services or works.

Summary of Legal Implications

13. An effective and transparent breaches/waivers/exemptions governance process maximises the chances of complying with Public Contracts Regulations 2015 (UK law).

Summary of Human Resource Implications

14. There are no human resource implications arising from this report.

Summary of Environmental Impact

15. There are no direct environmental implications from this report.

Summary of Public Health Implications

16. There are no direct public health implications from this report.

Summary of Equality Implications

17. There are no direct equality implications from this report

Summary of Risk Assessment

18. Failure to have appropriate financial regulations and procurement rules which ensures accountable and transparent processes are in place puts the Council at risk of challenge.

Background Papers

19. None.

Appendices

Appendix A – BBC Waivers of Financial Regulations 2018/19

Appendix B – CBC Waivers of Financial Regulations 2018/19

Appendix C – BoP Waivers of Financial Regulations 2018/19

Bournemouth Borough Council Waivers of Financial Regulations 2018/19

Appendix A

27

Count	Waiver Logged No.	Project Title	Supplier	Service Unit	Waiver Type	Procurement Comment	Further Comment	Waiver Value
1	W00426	Young People's Early Help Partnerships	AIM Community	A & C - Children & Young People	Not Openly Advertising the Contract Opportunity	Procurement process followed, less than 3 quotes returned Non open advertising using a restricted specialist list Service Delivery Dependency	Under £25k, The Council working collaboratively with a number of local charities to jointly deliver Services to young people which contribute to meeting objectives within the Corporate Plan for Children & Young People	£16,500
2	W00427	Young People's Early Help Partnerships	Space Youth Project	A & C - Children & Young People	Not Openly Advertising the Contract Opportunity	Procurement process followed, less than 3 quotes returned Non open advertising using a restricted specialist list Service Delivery Dependency	The Council working collaboratively with a number of local charities to jointly deliver Services to young people which contribute to meeting objectives within the Corporate Plan for Children & Young People	£28,050
3	W00428	Young People's Early Help Partnerships	Bournemouth YMCA	A & C - Children & Young People	Not Openly Advertising the Contract Opportunity	Procurement process followed, less than 3 quotes returned Non open advertising using a restricted specialist list Service Delivery Dependency	The Council working collaboratively with a number of local charities to jointly deliver Services to young people which contribute to meeting objectives within the Corporate Plan for Children & Young People	£72,000
4	W00433	Kooth Digital Dorset	Xenzone LTD	A & C - Children & Young People	Not Openly Advertising the Contract Opportunity	Service Delivery Dependency	Online Counselling & well being service for Children - 3 years, under Light Touch Threshold	£239,400
A & C - Children & Young People Total								£355,950
5	W00399	Housing related support services for individuals with a learning disability in Bournemouth	Bournemouth Rainbow Limited	A & C - Community Learning & Commissioning	Not Openly Advertising the Contract Opportunity	Service Delivery Dependency		£36,441
6	W00403	Domestic Homicide Panel Chair	Various	A & C - Community Learning & Commissioning	Not Openly Advertising the Contract Opportunity	Service Delivery Dependency	Under £25k,	£14,000
7	W00404	Nigel Bowes Modular Classroom	Extraspace Solutions UK Ltd, Moduleck Ltd, Portakabin	A & C - Community Learning & Commissioning	Not Openly Advertising the Contract Opportunity	Specialist one-Off Project	Select List	£50,000

Count	Waiver Logged No.	Project Title	Supplier	Service Unit	Waiver Type	Procurement Comment	Further Comment	Waiver Value
8	W00405	Nigel Bowes Modular Classroom	Moduleck Ltd	A & C - Community Learning & Commissioning	Not Obtaining Three Quotes for the Contract Opportunity	Specialist one-Off Project	This Award Waiver references to waiver W00404 Select list	£54,754
9	W00407	Residential Rehabilitation Preferred Providers List	12 Providers	A & C - Community Learning & Commissioning	Not Openly Advertising the Contract Opportunity			Call off
10	W00408	SEND Outreach Service to Bournemouth Schools	Tregonwell Academy	A & C - Community Learning & Commissioning	Not Openly Advertising the Contract Opportunity	Service Delivery Dependency	Under Light Touch - Threshold	£200,000
11	W00409	SEND Outreach Service to Bournemouth Schools	Linwood Special School	A & C - Community Learning & Commissioning	Not Openly Advertising the Contract Opportunity	Service Delivery Dependency	Under Light Touch - Threshold	£320,000
12	E00033	Cleaning of R Hub	Lyon Cleaners	A & C - Community Learning & Commissioning	Specialist Services Over 3 Years	Service Delivery Dependency		£21,420
				A & C - Community Learning & Commissioning Total				£696,615
13	W00391	Review of the community infrastructure levy and local plan viability assessment	Potters Planning Economics Ltd	E & E - Development	Not Obtaining Three Quotes for the Contract Opportunity	Non open advertising using a restricted specialist list Service Delivery Dependency	Under £25k, Borough Local Plan & adopted Community Infrastructure Levy charging schedule	£15,000
14	W00395	Food Hygiene Inspections	People, Development & Quality Ltd	E & E - Development	Not Obtaining Three Quotes for the Contract Opportunity	Procurement process followed, less than 3 quotes returned		£150,000
15	W00396	PPM Works 2018/2019	Link Fabrication & Machining LTD	E & E - Development	Not Obtaining Three Quotes for the Contract Opportunity	Specialist one-off Project Service Delivery Dependency	Funicular Cliff Lifts - Service Inspections	£62,500
16	W00397	PPM Works 2018/2019	Nairb Controls LTD	E & E - Development	Not Obtaining Three Quotes for the Contract Opportunity	Service Delivery Dependency	Specialist maintenance to air conditioning equipment	£50,000
17	W00411	Contract Planner	Hays Recruitment	E & E - Development	Not Obtaining Three Quotes for the Contract Opportunity	Service Delivery Dependency	Specialist - Backfill Work	£40,320
18	W00414	Outline Business Case - Dark Fibre Commercialisation	Next Generation Internet Services Ltd (NGIS)	E & E - Development	Not Obtaining Three Quotes for the Contract Opportunity	Specialist One -Off Project	Specialist Digital Consultancy - Experience of working for & with British Rail	£33,000
19	W00431	Disability Consultation Service	DOTs Disability	E & E - Development	Not Obtaining Three Quotes for the Contract Opportunity Not Openly Advertising the Contract Opportunity Contract Extension	Specialist one-off project	Under £25k, Contract Extension	£14,027
20	W00434	Town Centre Vision Update	Feria Urbanism	E & E - Development	Contract Extension	Service Delivery Dependency	Under £25k, Additional Work - Modification	£6,250
21	W00435	Dorset Commuter Challenge	Sustrans Ltd	E & E - Development	Not Openly Advertising the Contract Opportunity	Specialist one-off project	Under £25k, Quotes requested only 1 response, specialist service	£14,886

Count	Waiver Logged No.	Project Title	Supplier	Service Unit	Waiver Type	Procurement Comment	Further Comment	Waiver Value
E & E - Development Total								£385,983
22	W00390	Project Managers for LGR	South Coast Network	E & E - Environment	Not Using Corporate Contract	Service Delivery Dependency	Extension of Project Managers for Dorset LGR	£318,000
23	W00398	Town Centre Vision Update	Feria Urbanism	E & E - Environment	Not Obtaining Three Quotes for the Contract Opportunity	Specialist One -Off Project	Under £25k, Contract Extension - £14000	£14,000
24	W00401	Car Club for Bournemouth	Co - Wheels	E & E - Environment	Not Obtaining Three Quotes for the Contract Opportunity Not Openly Advertising the Contract Opportunity	Service Delivery Dependency	Under £25k,	£1,900
25	W00406	Recyclate Disposal Contract - Interim Arrangements	Viridor Waste Management Ltd	E & E - Environment	Contract Extension	Service Delivery Dependency	Recyclate Collection	£540,000
26	W00413	Buchanan Computing Products Hosted Service	Buchanan Computing Ltd	E & E - Environment	Not Obtaining Three Quotes for the Contract Opportunity	Service Delivery Dependency	Specialist Software	£46,650
27	W00432	Public Sector Relocation Project	DGMI Limited	E & E - Environment	Not Obtaining Three Quotes for the Contract Opportunity	Specialist one-off project	Contract Modification	£45,000
28	W00444	Bournemouth Beach Management Scheme - Recycling of Reclaimed Timber	Timberlink International Ltd	E & E - Environment	Not Openly Advertising the Contract Opportunity	Specialist one-off project	Local specialist to cut recycled timber from groin replacements	£45,025
E & E - Environment Total								£1,010,575
29	W00393	General Advice Service-Citizen Advice Bureau	Citizens Advice Bureau Bournemouth and Poole	E & E - Housing, Parks & Bereavement	Contract Extension	Service Delivery Dependency		£96,300
30	W00394	BH Coastal Lottery	Gatherwell LTD	E & E - Housing, Parks & Bereavement	Not openly advertised	Specialist One-Off Project	Specialist Licensed Supplier - Specialist list for Quotes	£15,000
31	W00410	Mental Health Support Worker	Dorset Healthcare	E & E - Housing, Parks & Bereavement	Not Obtaining Three Quotes for the Contract Opportunity	Service Delivery Dependency	Specialist psychological support worker to deliver support to rough sleepers and staff - Government Grant	£55,998
32	W00412	Project Coordinator	Jo Booth Consultant	E & E - Housing, Parks & Bereavement	Not Obtaining Three Quotes for the Contract Opportunity	Service Delivery Dependency	Project Coordinator - Rough Sleepers Project - Government Grant	£42,000
33	W00415	Architectural Services for Replacement Development Scheme on the site of Craven Court, Knyveton Road	Anders Roberts Cheer Ltd	E & E - Housing, Parks & Bereavement	Not Obtaining Three Quotes for the Contract Opportunity	Service Delivery Dependency	Continuing use of Supplier on scheme	£25,500
34	W00416	Moordown Plus - Flat Roofing	Volsen Ltd	E & E - Housing, Parks & Bereavement	Not Openly Advertising the Contract Opportunity	Specialist One -Off Project	3 quotes obtained, select list	£49,995

Count	Waiver Logged No.	Project Title	Supplier	Service Unit	Waiver Type	Procurement Comment	Further Comment	Waiver Value
35	W00417	Specialist software for online applications for statutory Extension to Mandatory Licensing (EML)	IBM	E & E - Housing, Parks & Bereavement	Not Obtaining Three Quotes for the Contract Opportunity	Specialist One -Off Project	Under £25k, Specialist Software	£13,212
36	W00418	Supply of Timber for Manor Steps Phase Two Project	Ecochoice LTD	E & E - Housing, Parks & Bereavement	Not Openly Advertising the Contract Opportunity	Specialist one-off project	Specialist to cut recycled timber from existing groins - timbers replacements	£28,100
37	W00419	Vehicle Purchase	English Ford	E & E - Housing, Parks & Bereavement	Not Openly Advertising the Contract Opportunity	Specialist one-off project	Direct award, one off purchase - pricing benchmarking followed	£29,755
38	W00420	Agency Worker - Community Enforcement Officer	Oyster Partnership	E & E - Housing, Parks & Bereavement	Not Obtaining Three Quotes for the Contract Opportunity	Service Delivery Dependency	Under £25k, specialist role	£20,951
39	W00423	Littledown Swimming Pool Renovation	UK Diveworks Ltd	E & E - Housing, Parks & Bereavement	Not Openly Advertising the Contract Opportunity	Non open advertising using a restricted specialist list Service Delivery Dependency	Councils landlord responsibilities - Specialist works - 3 quotes returned	£96,699
40	W00424	Manor Steps Phase Two - Ground Anchor Design & Installation	Westpointe Ltd	E & E - Housing, Parks & Bereavement	Not Obtaining Three Quotes for the Contract Opportunity	Service Delivery Dependency	Specialist Infrastructure Work - Ground Anchors Retaining Walls	£58,580
41	W00429	Moordown Plus - Electrical Services	Davison Electrical Ltd	E & E - Housing, Parks & Bereavement	Not Openly Advertising the Contract Opportunity	Service Delivery Dependency	4 quotes requested, 3 received & 1 non compliant	£85,179
42	W00430	Purchase of JCB 535-95 9M Telehandler	RJ & KD McLean LTD	E & E - Housing, Parks & Bereavement	Not openly advertising the Contract Opportunity	Specialist one-off project	4 quotes requested & received	£33,000
43	W00436	Universal Credit Advisor	Citizens Advice Bureau Bournemouth and Poole	E & E - Housing, Parks & Bereavement	Contract Extension			£10,000
44	W00437	Replacement of cubicles within the Changing Rooms of Littledown Leisure Centre	Cubicle Systems	E & E - Housing, Parks & Bereavement	Not Obtaining Three Quotes for the Contract Opportunity	Service Delivery Dependency	Specialist Supplier - 2 quotes returned	£66,538
45	W00438	Moordown Plus - Mechanical Services	Watertite Heating Ltd	E & E - Housing, Parks & Bereavement	Not Openly Advertising the Contract Opportunity	Service Delivery Dependency	3 quotes received	£117,839
46	W00441	BIC 4th Chiller Plant	SSE Enterprise Contracting	E & E - Housing, Parks & Bereavement	Not Openly Advertising the Contract Opportunity	Service Delivery Dependency	Councils landlord responsibilities - Specialist works	£30,000
47	W00447	Development at St Georges Drive, West Howe	Parsons and Joyce Contractors Ltd	E & E - Housing, Parks & Bereavement	Not Openly Advertising the Contract Opportunity	Service Delivery Dependency	Waiver required due to structure of the contract with Persimmon, VFM demonstrated with external RICS valuation and benchmarking.	£1,554,666
E & E - Housing, Parks & Bereavement Total								£2,429,313

Count	Waiver Logged No.	Project Title	Supplier	Service Unit	Waiver Type	Procurement Comment	Further Comment	Waiver Value
48	W00421	Waterfront Adventure Golf	Greenspan Projects Limited	E & E - Tourism & Corp Communications	Not Obtaining Three Quotes for the Contract Opportunity	Specialist one-off project	Under £25k procurement process followed for concept designs, work for technical specifications for build package - specialists direct award	£49,000
49	W00422	Clearance of Short Fall Out Culvert at Pier Approach	Lanes Group PLC	E & E - Tourism & Corp Communications	Not Obtaining Three Quotes for the Contract Opportunity	Emergency Requirement Service delivery dependency	Specialist work on Pier Approach culverts, Cost being refunded by Wessex Water	£40,000
50	W00425	Marathon Event	Gsi Events Ltd	E & E - Tourism & Corp Communications	Not Obtaining Three Quotes for the Contract Opportunity	Procurement process followed, less than 3 quotes returned	Under £25k, 1 tender return, Specialist requirement	£24,000
51	W00439	The Prom Café Extension	RTJ Automation & Maintenance Ltd	E & E - Tourism & Corp Communications	Not Openly Advertising the Contract Opportunity	Non open advertising using a restricted specialist list Service Delivery Dependency	Worked with procurement, specialist solution	£29,848
52	W00443	Replacement of Cubicles within the Toilets at Bournemouth Pier	Cubicle Systems	E & E - Tourism & Corp Communications	Not Openly Advertising the Contract Opportunity	Specialist one-off Project Service Delivery Dependency	Specialist Supplier - tight turn around and specialist requirements	£40,000
53	W00445	Research on Suffolk Coast	BDRC Continental Ltd	E & E - Tourism & Corp Communications	Not Obtaining Three Quotes for the Contract Opportunity	Procurement process followed, less than 3 quotes returned	Technical Waiver	£25,000
E & E - Tourism & Corp Communications Total								£207,848
54	W00442	Monitoring data for Lansdowne Business District Programme	DAIZY TECH LTD	Corporate & Commercial	Not Openly Advertising the Contract Opportunity	Service Delivery Dependency	Specialist Solution & single solution - benchmarked	£53,890
Corporate & Commercial Total								£53,890
55	W00400	Executive Search & Selection	Penna	HR Services	Not Obtaining Three Quotes for the Contract Opportunity	Specialist one-off Project Service Delivery Dependency		£36,441
56	W00402	Leadership & Resilience Masterclass	Trailblazers Coaching & Consulting Ltd	HR Services	Not Obtaining Three Quotes for the Contract Opportunity Not Openly Advertising the Contract Opportunity	Specialist one-Off Project	LGR -Building Resilience/Leadership Workshop Support	£33,610
HR Services Total								£70,051
57	W00446	Modern Gov. Committee Management Software	Modern.Gov	Legal & Democratic	Not Obtaining Three Quotes for the Contract Opportunity Not Openly Advertising the Contract Opportunity	Service Delivery Dependency	Specialist Software	£50,990
Legal & Democratic Total								£50,990
58	W00440	SAN Symphony Support and Maintenance Cover	Park Place Technologies Ltd	Finance - Strategic Finance	Not Openly Advertising the Contract Opportunity			£114,955

Count	Waiver Logged No.	Project Title	Supplier	Service Unit	Waiver Type	Procurement Comment	Further Comment	Waiver Value
59	W00448	Treasury Advisory Service	Link Treasury Service Limited	Finance - Strategic Finance	Not Obtaining Three Quotes for the Contract Opportunity	Service Delivery Dependency	Openly Tender 1 bidder	£99,425
Finance - Strategic Finance Total								£214,380
Grand Total								£5,475,595

Christchurch Borough Council Waivers Register - 2018/19

Appendix B

Ref	Date	Contract Description	Standing Order to be Waived	Reason for Waiver	Value
1819 - W1	26/06/2018	Amenity light column replacement.	SO14 - Tenders to be sought through Pro Contract With at least three tenders returned.	Less tenders returned than required by CSO, however, uneconomical to retender.	£ 34,733.00
1819 - W2	11/07/2018	Internal Audit Resources 2018/19	SO14 - Tenders to be sought through Pro Contract With at least three tenders returned.	Two quotes received, third quote not provided by supplier.	£ 20,000.00
1819 - W3	26/07/2018	Bournemouth, Christchurch and East Dorset Local Plan Viability Study.	SO14 - Tenders to be sought through Pro Contract With at least three tenders returned.	To collaboratively procure where Christchurch BC was relying on a partner to lead the procurement	£ 60,000.00
1819 - W4	06/08/2018	Highcliffe Castle Shop Fit Out	SO14 - Tenders to be sought through Pro Contract With at least three tenders returned.	Only one fully compliant tender received, uneconomical to retender.	£ 35,755.00
1819 - W5	22/08/2018	Replacement of failed air conditioning unit at Two Riversmeet Leisure Centre.	SO14 - Tenders to be sought through Pro Contract With at least three tenders returned.	Less tenders returned than required by CSO, however, uneconomical to retender.	£ 140,868.00
1819 - W6	10/09/2018	Treasury Management Advice	SO14 - Tenders to be sought through Pro Contract With at least three tenders returned.	Extension of contract until Local Government Reorganisation.	£ 7,100.00
1819 - W7	07/01/2019	Gundimore Coastal Defence	SO14 - Tenders to be sought through Pro Contract With at least three tenders returned.	Urgency - Emergency Work.	£ 13,450.00
1819 - W8	31/01/2019	Christchurch Splash Park Resurfacing	SO14 - Tenders to be sought through Pro Contract With at least three tenders returned.	Specialist supplier, compatibility issues, direct award without competition.	£ 24,030.00
TOTAL					£ 335,936.00

Borough of Poole Waivers of Financial Regulations 2018/19

Appendix C

Record
Count

Ref	Service Unit	Details of Waiver	Value	Primary Reason for CFO Waiver Approval	
1	132	Children and Young People Social Care.	Post Graduate Diploma in Social Work provided by Bournemouth University on behalf of the South West Regional Partnership 1 for up to 17 students. Fully Grant Funded by Department of Education.	£144,500	Lack of Competition/ Not openly advertising - limited supplier availability so direct award
2	134	Children and Young People Social Care.	Development and delivery of social Work CPD courses, evaluation and workstream requirements for the PDWTP Plan by BU as part of an agreed 2 year fully funded grant programme.	£110,000	Lack of Competition/ Not openly advertising - limited supplier availability so direct award
CYPSC Sub Total:			£254,500		
3	113	Commissioning and Improvement	The Advocacy and Independent Visiting Service is currently provided by Action for Children to meet statutory duties. An extension to the contract is being sought to take account of Local Government Reorganisation.	£47,798	Contract Modification (extension)
4	116	Commissioning and Improvement	Reablement Night Care Service. The current contract began in 2013 and was extended to 2017, then another extension took the contract to 2018 and now a further extension will take the contract to 2020.	£86,753	Contract Modification (extension)
5	117	Commissioning and Improvement	The contract was awarded in 2015, then a further 2 extensions were granted. Now it's being extended for another 3 years to 2021 as Dorset County Council have proposed to arrange a further contract to cover the period of the LGR.	£20,252	Contract Modification (extension)
6	121	Commissioning and Improvement	Provision of a Befriending Service to Carers. The contract commenced in 2014 and was extended to 2019, now due to LGR it is proposed to be extended for a further 12 months to 2020.	£20,000	Contract Modification (extension)
7	126	Commissioning and Improvement	The current Care at Home contract is at capacity with the framework providers. The framework will not be reopened until after LGR. Therefore it is necessary to seek additional hours outside of the framework contract in order to meet demand. This provider has agreed to the framework rate and therefore no extra costs will be incurred.	£110,000	Lack of Competition/ Not openly advertising - limited supplier availability so direct award
8	128	Commissioning and Improvement	The current Care at Home contract is at capacity with the framework providers. The framework will not be reopened until after LGR. Therefore it is necessary to seek additional hours outside of the framework contract in order to meet demand. This provider has agreed to the framework rate and therefore no extra costs will be incurred.	£85,000	Lack of Competition/ Not openly advertising - limited supplier availability so direct award
9	130	Commissioning and Improvement	The current Care at Home contract is at capacity with the framework providers. The framework will not be reopened until after LGR. Therefore it is necessary to seek additional hours outside of the framework contract in order to meet demand.	£36,000	Lack of Competition/ Not openly advertising - limited supplier availability so direct award
10	131	Commissioning and Improvement	Residential Furniture for Figbury Lodge Care Home. BoP are contractually required to procure all the loose Furniture, Fixtures and equipment.	£81,750	Lack of Competition/ Not openly advertising - limited supplier availability so direct award
11	133	Commissioning and Improvement	Children's Social Care Policy and Procedures portal for BCP Council - The company works with 80% of Local Authorities in England and they are the only provider offering a complete content creation, updating, hosting and archiving procedures service within the social care sector.	£31,500	Lack of Competition/ Not openly advertising - limited supplier availability so direct award
C&I Sub Total:			£519,053		

Record Count	Ref	Service Unit	Details of Waiver	Value	Primary Reason for CFO Waiver Approval
12	108	Culture and Community	Printing of 324,000 Skills & Learning Autumn 2018/19 brochures. Corporate contract holder (CDS) unable to provide paper quality required within critical timescale.	£36,482	Other - not using an available corporate contract
13	123	Culture and Community	Curatorial support for Wessex Museum Partnership Thomas Hardy Exhibition - Arts Council Grant funded	£37,000	Lack of Competition/ Not openly advertising - limited supplier availability so direct award
14	129	Culture and Community	The design of interpretation media and completion of the associated plan to RIBA Work stage 3 for a welcome centre and surrounding Country Park, to support an application to the Heritage Lottery Fund (HLF). An extension to the consultancy services initially contracted.	£14,940	Contract Modification (extension)
C&C Sub Total:				£88,422	
15	112	Environment	Approval to procure and implement a Highway Inspection Software Programme to ensure legal compliance for the Borough of Poole as of 1st October 2018 introduction of the Department of Transports - Well Managed Highway Infrastructure Code of Practice.	£100,000	Urgency - only 2 quotes obtained
16	114	Environment	New To You online auction selling, which forms part of the Cabot Lane Refuse Project. This work is similar to a concessionary contract where the net profits from the sale of each item would be shared between the Council and Supplier.	£12,000	Lack of Competition - Direct award on grounds of expedience for trial period.
17	135	Environment	Kennelling and where required rehoming of stray dogs in Poole. Bournemouth & Christchurch councils currently contract this provider, align ready for LGR, there are no known other providers in Dorset able to provide this service.	£8,000	Other - Direct award to align with Bournemouth and Christchurch
Environment Sub Total:				£120,000	
18	122	Growth & Infrastructure	To supply and deliver to site a replacement pump for Sterte surface water pumping station. - only one other known supplier and they said they could not do the work for some time and were more expensive than the chosen supplier.	£72,600	Urgency - only 2 quotes obtained
G&I Sub Total:				£72,600	
19	127	Housing and Community	A review of the CCTV system was undertaken for compliance with GDPR and it was found that there were issues with the capability of 23 cameras. Should the Council be challenged on the effectiveness of its systems, we could be found in breach of the legislation by the ICO and subject to significant fines. To ensure prompt compliance with GDPR requirements, quotes were obtained from 2 suppliers and the option which met the need and was the cheapest was selected.	£48,967	Urgency - only 2 quotes obtained
20	137	Housing and Community	Locata – homelessness, Housing Register and Lettings IT system. The current contract is held by North Dorset DC and in preparation for LGR two new contracts (for Poole and B'mth) are to be created - the contract specification and service will be identical to the current one provided.	£110,760	Lack of Competition/ Not openly advertising - limited supplier availability so direct award
Housing Sub Total:				£159,727	
21	124	Poole Housing Partnership	Replacement of existing defective cladding fixing bolts (at the contractors expense) at the same time replacing the cladding with A2 fire rated cladding and installation of a sprinkler system to 114 flats and communal areas.	£1,030,000	Urgency - using original contractor to defray total cost of scheme.

Record
Count

Ref	Service Unit	Details of Waiver	Value	Primary Reason for CFO Waiver Approval	
22	125	Poole Housing Partnership	Remedial works have been recommended and two quotes have been obtained, one from HIL and a company called HydroWash. There would be no benefit in going out to tender for these works as we would likely obtain bids from these two suppliers due to the niche market area.	£82,370	Urgency - only 2 quotes obtained
PHP Sub Total:			£1,112,370		
23	110	Strategy Directorate	Extension of Poole CVS SLA. Rather than negotiate a new arrangement ahead of LGR it felt more appropriate to extend the existing contract for a further 12 months.	£137,000	Contract Modification (extension)
Strategy Directorate Sub Total:			£137,000		
24	111	SVPP	DWP new burdens funding for SVPP Universal credit Personal Budgeting Support (PBS). Poole Council is the host, and thus making the payment to the contractor (Under a MOU agreement) but the service is for all partners in the partnership	£28,274	Other - Payment in advance exceeding £10,000 or 6 months
SVPP Sub Total:			£28,274		
25	115	Transport	Town Centre North Masterplanning - Design to eliminate issues identified as part of a master planning exercise for the regeneration of the Town Centre North Area of Poole.	£20,000	Lack of Competition - Direct award to same company that provided earlier support to defray total costs.
26	120	Transport	Appointment of EHDC-RegenCo to provide regeneration delivery support. (Attempted recruitment resulted in very limited response and all 3 interviewed lacked experience.)	£164,604	Lack of Competition/ Not openly advertising - limited supplier availability so direct award
Transport Sub Total:			£184,604		
Total			£2,676,550		



AUDIT AND GOVERNANCE COMMITTEE

Report subject	The Chief Internal Auditor’s Annual Report & Opinion for the three legacy Councils (Bournemouth, Christchurch and Poole Councils)
Meeting date	25 July 2019
Status	Public
Executive Summary	<p>It is the opinion of the Chief Internal Auditor that for the three legacy councils:</p> <ul style="list-style-type: none"> • arrangements were in place to ensure an adequate and effective internal control environment and where weaknesses were identified there was an appropriate action plan in place to address them; • the systems and internal control arrangements were effective and agreed policies and regulations were complied with; • adequate arrangements were in place to deter and detect fraud; • there was an appropriate and effective risk management framework; • managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls; • the respective Councils’ internal audit service was effective and compliant with all regulations and standards as required of a professional internal audit service; and that • the arrangements, at the respective Councils, in respect of the Chief Internal Auditor were consistent with all of the five principles set out in the CIPFA publication “The Role of the Head of Internal Audit in Public Sector Organisations”.
Recommendation(s)	<p>It is RECOMMENDED that:</p> <p>the Audit & Governance Committee note the Chief Internal Auditor’s Annual Report and opinion on the overall adequacy of the internal control environment for each of the three legacy Councils.</p>
Reason for recommendation(s)	The Chief Internal Auditor’s Annual Report and opinion for each legacy Council provides assurance on the effectiveness of the Council’s control environment as required by the Public Sector Internal Audit Standards.

Portfolio Holder(s):	Councillor Vikki Slade (Leader of the Council)
Corporate Director	Julian Osgathorpe (Corporate Director Resources)
Contributors	Nigel Stannard (Head of Audit & Management Assurance) Simon Milne (Deputy Chief Internal Auditor) James Cranston (Audit Manager)
Wards	All
Classification	For Update and Information

Background

1. The Chief Internal Auditor's Annual Report and Opinion for the three legacy Councils was produced in compliance with the Public Sector Internal Audit Standards 2013 (PSIAS), which requires the Head of Audit and Management Assurance, in his role as Chief Internal Auditor to report annually on:
 - the adequacy and effectiveness of the internal control environment; and
 - conformance by the Internal Audit Section to the PSIAS
2. The Audit & Governance Committee must consider each legacy Councils' Chief Internal Auditor's Annual Report and Opinion before its consideration of the respective Councils' Annual Governance Statements.
3. It should be noted that the title 'Chief Internal Auditor' is interchangeable with the terms 'Head of Internal Audit', 'Chief Audit Executive' and 'Head of Audit & Management Assurance' used throughout this report.

The Chief Internal Auditor's Consideration & Opinion Summary

4. The Chief Internal Auditor's Annual Report & Opinion 2018/19 for each legacy Council (Bournemouth, Christchurch and Poole) is provided at Appendices A, B and C respectively.
5. In summary it is the opinion of the Chief Internal Auditor for all three legacy Councils that:
 - arrangements were in place to ensure an adequate and effective internal control environment and where weaknesses were been identified there was an appropriate action plan in place to address them;
 - the systems and internal control arrangements were effective and agreed policies and regulations were complied with;
 - adequate arrangements were in place to deter and detect fraud;
 - there was an appropriate and effective risk management framework;
 - managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls;
 - the respective Council's Internal Audit service was effective and compliant with all regulations and standards as required of a professional internal audit service; and that

- the arrangements at the Councils in respect of the Chief Internal Auditor were consistent with all of the five principles set out in the CIPFA publication “The Role of the Head of Internal Audit in Public Sector Organisations”.

Summary of Financial Implications

6. The total net cost of the Internal Audit sections, for the legacy Councils during 2018/19, was £705,000 (previous year 2017/18 was £787,000).

The cost split of this £705,000 was, Bournemouth and Poole shared costs of £653,000 and Christchurch costs were £52,000.

Summary of Legal Implications

7. The Public Sector Internal Audit Standards (2013), which encompass the mandatory elements of the chartered Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), require that the Council’s Chief Audit Executive provides an annual report and opinion on the adequacy and effectiveness of the internal control environment to those charged with the good governance of the organisation.

Summary of Human Resource Implications

8. There was 14.46 full-time equivalent (FTE) Internal Audit staff members employed across the legacy Councils during 2018/19. Bournemouth and Poole shared 13.21 FTE staff and there was a further 1.25 members of staff in Christchurch.

These numbers are inclusive of the Head of Audit & Management Assurance who manages several other teams and an Auditor who specialises in corporate fraud investigation, detection and prevention.

Summary of Environmental Impact

9. There are no direct environmental implications from this report.

Summary of Public Health Implications

10. There are no direct public health implications from this report.

Summary of Equality Implications

11. There are no direct equality implications from this report.

Summary of Risk Assessment

12. The risk implications are set out in the content of this report.

Background Papers

13. None.

Appendices

Appendix A – Bournemouth Borough Council – Chief Internal Auditor’s Annual Report & Opinion 2018/19

Including Annexe 1(B), 2(B) and 3(B)

Appendix B – Christchurch Borough Council - Chief Internal Auditor's Annual Report
& Opinion 2018/19

Including Annexe 1(C), 2(C) and 3(C)

Appendix C – Borough of Poole – Chief Internal Auditor's Annual Report &
Opinion 2018/19

Including Annexe 1(P), 2(P) and 3(P)

APPENDIX A

Chief Internal Auditor's Annual Report & Opinion 2018/19

Introduction

- 1 This annual report is produced in compliance with the Public Sector Internal Audit Standards 2013 (PSIAS). The PSIAS encompasses the mandatory elements of the Chartered Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows: Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing. The PSIAS requires the Chief Internal Auditor to report annually on the adequacy and effectiveness of the internal control environment; this report covers the period April 2018 to March 2019.
- 2 The scope of the Council's internal control environment that the Chief Internal Auditor is required to provide an opinion on is set out in the Council's Assurance Framework. The opinion given by the Chief Internal Auditor assists the Audit & Governance Committee in forming their view on the Annual Governance Statement.

Chief Internal Auditor's Audit Opinion 2018/19

- 3 The establishment of adequate and effective control systems is the responsibility of management. Internal Audit reviews were conducted using risk based scoping, planning and sampling methodology, consequently not every Council activity, transaction or project has been reviewed in-year by Internal Audit. It follows therefore that the Chief Internal Auditor is unable to provide absolute assurance that the internal control environment is operating adequately and effectively.
- 4 Based on the work undertaken by Internal Audit during 2018/19, it is the opinion of the Chief Internal Auditor that:
 - a arrangements were in place to ensure an adequate and effective internal control environment as set out in the Council's Assurance Framework;
 - b the systems and internal control arrangements were effective and agreed policies and regulations were complied with;
 - c adequate arrangements were in place to deter and detect fraud;
 - d there was an appropriate and effective risk management framework;

- e managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls;
 - f Bournemouth Council’s internal audit services was effective and compliant with all regulations and standards as required of a professional internal audit service; and that
 - g the arrangements in respect of the Chief Internal Auditor were consistent with all of the five principles set out in the CIPFA publication “The Role of the Head of Internal Audit in Public Sector Organisations”.
- 5 This opinion is based on the results of the Internal Audit work undertaken and reported upon during 2018/19. While internal control weaknesses and non-compliance with policies were identified during Internal Audit reviews, corrective actions have been agreed with management. This willingness to respond to and correct issues raised during audit reviews is a key aspect in the Chief Internal Auditor giving an ‘unqualified opinion’.

Basis of the Chief Internal Auditor’s Opinion – A summary look back at work undertaken in 2018/19

Regularity Audit Work

- 6 The work of Internal Audit is designed to provide an annual opinion on the adequacy and effectiveness of the internal control environment. The work carried out in 2018/19 to provide the annual opinion was agreed by the Audit & Governance Committee.
- 7 All Service Units were audited during 2018/19 and a high percentage (94%) of the audit plan was completed (vs the 90% target). A list of all audits completed during 2018/19 is attached at Annexe 1(B).
- 8 Each audit report provides an overall level of assurance on the adequacy of the management arrangements to manage the identified risks within the area reviewed. The assurance level definitions are as follows:

Assurance Level Definitions	
Substantial	There is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.
Reasonable	Whilst there is basically a sound control framework, there are some weaknesses which may put service objectives at risk.
Partial	There are weaknesses in the control framework which are putting service objectives at risk.
Minimal	The control framework is generally poor as such service objectives are at significant risk.

- 9 The list of audits carried out during 2018/19 in Annexe 1(B) also details the assurance level given for each review. In summary 13 'Substantial', 25 'Reasonable' and 8 'Partial' assurance level opinions were given during the year. There were no Minimal assurance opinions given for any of the audits. The 'Partial' opinion audits were:

Audit	Recommendations to improve controls covering:
Adult Social Care - Deputyships	Business continuity, standards compliance review, scheme of delegation and annual reviews
Children, Young People & Families - GDPR	Breach reporting, information asset register and staff training
Community Learning and Commissioning - Contracts Children	Overarching policy and supporting procedures for children's contract procurement and compliance with procurement process
Corporate Services Other - Equality Needs Impact Assessments (ENIA)	EINA completion for council projects and EINA guidance for officers
Housing & Community Services - Boscombe Market	Market strategy, income reconciliation, fees and charges, trader insurance and compliance with stallholder agreements
Legal, Democratic & Strategy - Mayoral Assets	Asset register security & contents, asset valuation frequency, asset ownership records and completion of gifts/hospitality registers
Tourism - Seafront Cash Office	Income sources where audit trails are not available, reconciliations, procedure notes, and safe balancing
Strategic Finance - Creditors	Supplier set up and bank account changes

- 10 Regularity Audit work undertaken in 2018/19 covered a range of systems in different Service Units and Schools and included an audit of the Council's fundamental financial systems, including Main Accounting, Creditors,

Debtors, Payroll, Housing Rents, Housing Benefits, Treasury Management, Council Tax and NDR systems as set out in Annexe 2(B).

- 11 The Council's assurance map set out at Annexe 3(B) has been populated to show Internal Audit coverage during 2018/19 over the significant risks facing the Council.
- 12 Recommendations were made throughout the year across several Service Units and Schools; action plans detailing management actions to mitigate the risks and control weaknesses identified have been agreed in all cases.
- 13 For all audits finalised during the period April 2018 to March 2019, a total of 180 recommendations were made. 100% of these recommendations have been accepted by management. The development of robust follow-up procedures has provided assurance that the implementation of audit recommendations is high; the current position of implementation is 89%.
- 14 Outstanding actions in response to recommendations have been noted; the majority of these outstanding actions relate to longer term improvements, those with target dates not yet reached, and those actions for which other priorities or service needs have necessitated a revised implementation date to be agreed. It has therefore not been necessary to instigate the audit recommendation escalation policy agreed with the Audit & Governance Committee.
- 15 Auditees score individual areas of the audit process resulting in a combined total client satisfaction score (100% Very Satisfied, 75% Satisfied, 50% Dissatisfied, 25% Very Dissatisfied). The auditee satisfaction score for 2018/19 of 87% exceeded the target of 75%, illustrating a high level of satisfaction with the way in which audits are conducted.

Value for Money (VFM) and Preparation for BCP Council Work

- 16 Some specific VFM and benchmarking was required during the 2018/19 year to support Local Government Reorganisation in Dorset in collaboration and partnership with Christchurch and Poole Councils.
- 17 To further embed VFM principles, practices, tools and techniques across the Council, the Team was actively involved in the Grant Thornton and CIPFA collaboration and development of the 'CFO Insights' Toolkit. 'CFO Insights' aligns the Council's ethos of matching costs with outcomes and was again used to support medium term financial planning and budget development during 2018/2019. Grant Thornton continued to use some of the Council's templates and methodology to highlight best practice and in return a negotiated preferential rate was obtained to subscribe to the toolkit.
- 18 Time was spent during 2018/19 preparing for Local Government Reorganisation and the creation of Bournemouth, Christchurch & Poole Council. Whilst much of this work centred on operational 'Day 1 soft landing' matters within the wider Audit & Management Assurance Team and

within Financial Services as a whole, advice and support was also given to other legacy council services for their specific operational preparedness.

- 19 Time has also been spent with Grant Thornton to agree principles of consolidation of data for the legacy Councils of Bournemouth, Christchurch and Poole to enable aggregate as well as legacy Council benchmarking whether this be financial, inputs, outcomes or other comparison basis.

Counter Fraud Work

- 20 Counter Fraud work was undertaken during 2018/19 to improve the Council's arrangements for combating fraud & corruption. This work included targeting fraud risk areas such as corporate cards and petty cash and also tackling high value external fraud against the Council. Time was also spent on coordinating the Cabinet Office National Fraud Initiative (NFI) data matching exercise.
- 21 Investigations were undertaken during the year in response to every identified or suspected case of financial irregularity.
- 22 The outcomes of this counter fraud work (including concluded investigations and NFI results) will be incorporated into the Internal Audit Counter Fraud Work and Whistleblowing Referrals annual report which will be presented to the Audit & Governance Committee at the forthcoming October meeting.

Risk Management Framework

- 23 The Chief Internal Auditor is responsible for reporting any significant issues to the Audit and Governance Committee on a quarterly basis, and annually on the appropriateness and effectiveness of the Risk Management Framework to support the Annual Governance Statement.

Governance Work

- 24 The Council's Local Code of Governance was reviewed during the year and work was also undertaken to prepare a new BCP Local Code of Governance which was agreed by the Shadow Authority. The BCP Code will be brought to this committee at its October 2019 meeting for review and to ensure it remains accurate and up to date during this period of rapid governance evolution.
- 25 Progress made against actions arising from the 2017/18 Annual Governance Statement (AGS) has been reviewed and presented to the Audit Committee through the 2018/19 year.
- 26 Work has been undertaken to compile the 2018/19 AGS for inclusion in the Council's statement of accounts. In conducting this review Service Directors have confirmed the adequacy and robustness of certain management controls in the form of Management Assurance Statements.

Compliance with Professional Standards

- 27 From 1 April 2013, the Public Sector Internal Audit Standards came into effect. The PSIAS apply the IIA International Standards to the UK Public Sector. Under standard 1310, the Council must ensure that it puts in place a quality assurance and improvement programme in respect of Internal Audit, which must include both internal and external assessments. An external assessment is required to take place within 5 years of the effective date of the PSIAS.
- 28 An annual internal self-assessment has been carried out which demonstrated all standards were met. In order for technical compliance with the PSIAS an external review of the Internal Audit Section (required under the quality assurance attribute standards) was required to be undertaken by 31st March 2018.
- 29 In view of Bournemouth and Poole shared corporate services and Dorset Local Government Reorganisation this external review was postponed (with the full agreement of the respective legacy Councils' Audit & Governance Committees). There is a requirement for a BCP Internal Audit service external assessment which will be considered during 2019.
- 30 CIPFA has produced a publication "The Role of the Head of Internal Audit in Public Sector Organisations". This document demonstrates the Head of Internal Audit's (HIA) critical role in delivering the organisation's strategic objectives. An annual assessment has been carried out in respect of the five principles contained in this document, which states that the HIA:
- a should promote good governance, assess the adequacy of governance and management of existing risks, and advise on proposed developments;
 - b should give an objective and evidence based opinion on all aspects of governance, risk management and internal control;
 - c must be a senior manager with regular and open engagement across the organisation with the Leadership Team and the external auditor;
 - d must lead and direct an internal audit service that is resourced to be fit for purpose; and
 - e must be professionally qualified and suitably experienced.
- 28 The Chief Finance Officer (CFO) has confirmed, through regular 1:1 meetings and a formal annual appraisal, that the Council's Chief Internal Auditor is compliant with all of these five principles.

Conclusion

- 29 It is the opinion of the Chief Internal Auditor that the Internal Audit Team complies with professional standards and has completed sufficient and appropriate work to provide assurance on the adequacy and effectiveness of the Council's internal control environment.

Appendices

- Annexe 1(B) 2018/19 BBC Audits Completed
- Annexe 2(B) BBC Key Financial System Audit Opinions
- Annexe 3(B) BBC Internal Audit Assurance Map 2018/2019

Annexe 1(B): 2018/19 BBC Audits Completed

	Service Area	Audit	Assurance Opinion
	SERVICE UNIT AUDITS		
1	Adult Social Care	Deputyships	Partial
2	Adult Social Care	Direct Payments	Substantial
3	Adult Social Care	General Data Protection Regulation (GDPR)	Substantial
4	Children, Young People & Families	GDPR	Partial
5	Children, Young People & Families	Foster Care Payments	Reasonable
6	Community Learning & Commissioning	GDPR	Substantial
7	Community Learning & Commissioning	Contracts - Adults	Reasonable
8	Community Learning & Commissioning	Contracts – Children’s	Partial
9	Corporate Services – Other	GDPR	Substantial
10	Corporate Services – Other	Equality Needs Impact Assessments	Partial
11	Economic & Cultural Development	GDPR	Substantial
12	Economic & Cultural Development	Petty Cash & Follow Up	N/A
13	Environment	GDPR	Reasonable
14	Environment	Key Assurance Functions, Trade Waste Income and Contract Management	Reasonable
15	Housing & Community Services	Key Assurance Functions, Rent Deposit Rent in Advance Loans	Reasonable
16	Housing & Community Services	Boscombe Market	Partial
17	Housing & Community Services	Coroners & Mortuary Service	Reasonable
18	Human Resources	GDPR	Substantial
19	ICT and Customer Support	Asset Management	Reasonable
20	ICT and Customer Support	Contract Management	Substantial
21	ICT and Customer Support	GDPR	Substantial

	Service Area	Audit	Assurance Opinion
22	Legal, Democratic & Strategy	Mayoral Assets	Partial
23	Legal, Democratic & Strategy	Income & Land Charges	Reasonable
24	Legal, Democratic & Strategy	GDPR	Substantial
25	Planning & Transportation	GDPR	Reasonable
26	Planning & Transportation	Community Infrastructure Levy	Reasonable
27	Strategic Finance	Key Assurance Functions and Counter Fraud Risks	Reasonable
28	Tourism	GDPR	Reasonable
29	Tourism	Seafront Cash Office	Partial
KEY ASSURANCE FUNCTION AUDITS			
30	Financial Services	Asset Management	Reasonable
31	Financial Services	Business Continuity	N/A
32	Corporate Services – Other	Business Planning & Performance Management	N/A
33	Financial Services	Financial Management	Reasonable
34	Environment	Health & Safety	Reasonable
35	Human Resources	Human Resources	Reasonable
36	ICT and Customer Support	ICT (Landline Phones)	Reasonable
37	Legal, Democratic & Strategy	Information Governance F/up	N/A
38	Financial Services	Procurement	Substantial
39	Corporate Services – Other	Programme/ Project Management	N/A
40	Financial Services	Risk Management	N/A
KEY FINANCIAL SYSTEMS AUDITS			
41	Strategic Finance	Council Tax/ Non Domestic Rates (NDR)	Reasonable
42	Strategic Finance	NDR	Substantial
43	Strategic Finance	Housing Benefits	Substantial

	Service Area	Audit	Assurance Opinion
44	Strategic Finance	Debtors	Reasonable
45	Strategic Finance	Creditors	Partial
46	Strategic Finance	Payroll	Reasonable
47	Strategic Finance	Treasury Management	Substantial
48	Housing & Communities	Housing Rents	Reasonable
SCHOOL AUDITS			
49	Children, Young People & Learning	Corpus Christi School	Reasonable
50	Children, Young People & Learning	St Walburgs School	Reasonable
COUNTER FRAUD AUDITS			
51	All Service Units	Corporate Cards	Reasonable
52	All Service Units	Petty Cash	Reasonable
Audits Deferred For Consideration In 2019/20			
	Service Area	Audit	Comment/ rationale
53	Adult Social Care	Financial Assessments	New system implemented
54	Housing & Communities	Investment Strategy	No projects have progressed
55	Strategic Finance	Fire Safety	Assurance through other sources – Chief Executive quarterly monitoring

Annexe 2(B): BBC Key Financial Systems Opinions

Assignment Title	Service Area	2018/19 Opinion	2017/18 Opinion	2016/17 Opinion
Council Tax	Strategic Finance	Reasonable ¹	Substantial	Reasonable
NDR	Strategic Finance	Substantial	Substantial	Reasonable
Housing Benefits	Strategic Finance	Substantial	Substantial	Substantial
Debtors	Strategic Finance	Reasonable	Reasonable	Reasonable
Financial Services	Main Accounting	Reasonable	Reasonable	Reasonable
Creditors	Strategic Finance	Partial ²	Reasonable	Reasonable
Payroll	Strategic Finance	Reasonable ³	Substantial	Substantial
Treasury Management	Strategic Finance	Substantial	Substantial	Reasonable
Housing Rents	Housing & Communities	Reasonable ⁴	Partial	Reasonable

51

Notes

1. Council Tax – One recommendation was made to improve management of credit balances on Council Tax accounts.
2. Creditors - Recommendations were made to improve controls over setting up suppliers and bank account changes.
3. Payroll - Recommendations were made to improve controls over honorariums, market supplements, staff bank account changes and establishment lists.
4. Housing Rents – Recommendations regarding arrears and writes offs from the 2017/18 review have been generally implemented resulting in a 'Reasonable' 2018/19 Audit Opinion.

Annexe 3(B)

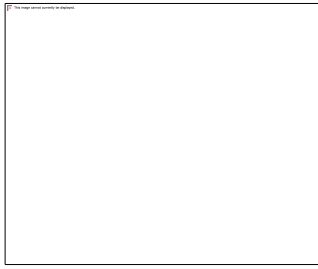
BBC Internal Audit Assurance Map 2018/19

INTERNAL SOURCES OF ASSURANCE	
Source of Assurance	Internal Audit Assurance Work
Internal Audit	<ul style="list-style-type: none"> • All Service Units audited during 2018-19 • 52 out of 55 Audits completed (see Annexe 1(B) for list of audits) • 13 Substantial, 25 Reasonable and 8 Partial Assurance Level opinions were given during the year • There were no Minimal assurance opinions
Strategic Procurement	<ul style="list-style-type: none"> • Internal Audit carried out an annual assurance review of Procurement ('Substantial' audit opinion) • See separate Annual Report on Breaches and Waivers also being reported to this committee
Risk Management	<ul style="list-style-type: none"> • Corporate Risk Management Strategy and framework in place • Regular risk management reporting took place during the year to Audit & Governance Committee and Senior Management • Audit review carried out on Poole and Bournemouth Council's current arrangements for risk management to assist with planned changes for BCP
Financial Management	<ul style="list-style-type: none"> • Regular reporting took place in year to Cabinet and Council • Internal Audit review of Main Accounting system undertaken during the year ('Reasonable' audit opinion)
Business Continuity	<ul style="list-style-type: none"> • Regular reporting took place during the year on corporate emergency planning arrangements to Audit & Governance Committee • Corporate Resilience Strategy is in place • Audit review carried out on Poole and Bournemouth Council's current arrangements for business continuity to assist with planned changes for BCP

INTERNAL SOURCES OF ASSURANCE

Source of Assurance	Internal Audit Assurance Work
Value for Money	<ul style="list-style-type: none"> • VFM and benchmarking work carried out to support Local Government reorganisation in Dorset work • CFO Insights Toolkit used which aligns the Council's ethos of matching costs with outcomes • Grant Thornton, the Councils' external auditors carry out an annual assessment of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, and reports its conclusions in their Audit Findings Report and Annual Audit Letter. Their last conclusion (reported to Audit & Governance Committee Oct 18) was 'we were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources' for y.e 31 March 2018
Asset Management	<ul style="list-style-type: none"> • Internal Audit carried out an annual assurance review on Health and Safety ('Substantial' audit opinion)
Corporate Fraud	<ul style="list-style-type: none"> • Audit assignments carried out during 2018/19 have considered the risk of fraud • Corporate Fraud Officer has provided support to service units on high risk external fraud areas (including housing allocation/tenancy) • Several investigations carried out and recommendations made to improve controls • Participation in National Fraud Initiative (NFI) data matching exercise
Information Governance	<ul style="list-style-type: none"> • Internal Audit carried out a follow up review of Information Governance recommendations. All were found to be satisfactorily addressed. • Internal Audits carried out across all Service Units to confirm compliance with GDPR requirements. No significant weaknesses identified
Programme & Project Management	<ul style="list-style-type: none"> • Regular reporting took place during the year on programmes/projects progress to the Executive Gateway Board • Audit review carried out on Poole and Bournemouth Council's current arrangements for the management of projects and programmes to assist with planned changes for BCP

INTERNAL SOURCES OF ASSURANCE	
Source of Assurance	Internal Audit Assurance Work
Human Resources	<ul style="list-style-type: none"> Internal Audit carried out a review of Human Resources arrangements including payroll, travel & subsistence, pension data and corporate policies ('Reasonable' audit opinion)
Corporate Health & Safety	<ul style="list-style-type: none"> Detailed reporting of arrangements to Audit & Governance Committee during the year Included in Annual Governance Statement Action Plan and progress monitored during the year Internal Audit carried out an annual assurance review ('Reasonable' audit opinion)
Business Planning & Performance Management	<ul style="list-style-type: none"> Audit review carried out on Poole and Bournemouth Council's current arrangements for business planning & performance management to assist with planned changes for BCP
Management Assurance Statements	<ul style="list-style-type: none"> Received from all Service Directors No new significant issues raised
EXTERNAL SOURCES OF ASSURANCE	
External Audit	
Inspection Agencies	
Regularity Bodies	
Quality / Accreditation Schemes	
External Benchmarking	
Peer Reviews	
External Assessments	
Health Checks	



APPENDIX B

CHIEF INTERNAL AUDITOR'S ANNUAL REPORT & OPINION 2018/19

1. BACKGROUND

- 1.1 This annual report is produced in compliance with the Public Sector Internal Audit Standards (PSIAS) and the Internal Audit Charter.
- 1.2 The Accounts and Audit (England) Regulations 2015, requires that a “relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes.” Regulation 6 specifically requires the organisation to annually review the effectiveness of the system of internal control.
- 1.3 The key areas of this report are:
 - the auditor’s opinion on the adequacy of the Council’s control environment, which is defined by the Assurance Framework;
 - any other matters that should be considered for inclusion within the Annual Governance Statement;
 - the performance of Internal Audit; and
 - conformance against the PSIAS and the Internal Audit Charter.
- 1.4 Dorset’s Local Government Reorganisation came into effect on 1st April 2019. As such Christchurch Borough Council and East Dorset District Council’s Joint Audit Committee ceases to exist. Therefore this report will be presented to Audit Committees of the two new councils.

2. AUDIT OPINION

- 2.1 Management are responsible for maintaining adequate and effective control systems, managing risks and complying with Governance arrangements. Internal Audit reviews risk based systems and processes.
- 2.2 The opinion concludes on the overall adequacy and effectiveness of the Councils’ framework of governance, risk management and control.
- 2.3 **Annexe 1(C)** provides details of the audit reviews undertaken in 2018/19 and the assurance ratings provided. The table below provides a summary:

Assurance Rating	Number of Audit Reviews in 2018/19	% against total reviews completed
Substantial Assurance - There is a strong system of control designed to achieve the system objectives with controls being consistently applied.	1	4.2%
Adequate Assurance - Whilst there is basically a sound system, there are weaknesses which may put some of the system objectives at risk.	21	87.5%
Limited Assurance - Weaknesses in the system of controls are such as to put system objectives at risk.	2	8.3%
No Assurance - Control is generally weak leaving the system open to significant error or abuse.	0	0%
Total Number of Audit Reviews Completed	24	

2.4 24 audit reviews have been finalised and reported in 2018/19.

2.5 In summary 1 'Substantial', 21 'Adequate and 2 'Limited' assurance level opinions were given during the year. There were no 'No Assurance' opinions given for any of the audits. The Limited opinion audits were:

Audit	Recommendations to improve controls covering:
Creditors	Separation of duties for payments and supplier changes records
IT	Network vulnerability checks and inventory records

2.6 The assurance framework for 2018/19 is detailed in **Annexe 2(C)**. The assurance framework demonstrates that key assurances have been reviewed across all of the Council's services.

2.7 In forming the annual opinion, third party assurance was collected from the Borough of Poole in relation to the SVPP Debtors audit review. 65 days of Auditor resources was also purchased from Portsmouth City Council.

2.8 Based on the work undertaken by Internal Audit during 2018/19, it is the opinion of Internal Audit that:

- managers are aware of the importance of maintaining internal controls, managing risks and working to good governance standards and accept recommendations made by Internal Audit to improve any weaknesses identified.

- The systems and internal control arrangements have generally been adequate.
- Where significant weaknesses were identified during the year, high priority recommendations have been made and accepted by Management. Progress made against the high priority recommendations are monitored quarterly by the Joint Audit Committee.
- Counter fraud arrangements are in place to deter and detect fraud; however, these arrangements require updating.

2.9 It is therefore the opinion of Internal Audit that an overall assurance level of 'adequate' is given for the adequacy and effectiveness of the Councils' framework of governance, risk management and control.

3. SUMMARY OF AUDIT WORK AND PERFORMANCE TO SUPPORT THE ANNUAL OPINION

Resources & Audit Plan Completion

3.1 The Internal Audit service covers Christchurch Borough Council and East Dorset District Council.

3.2 As stated in paragraph 2.3, **Annexe 1(C)** details the opinion provided on each audit review and highlights the number of recommendations made. All audit reviews, save one audit, in the plan have been completed. This gives a completion rate of 96% as at 10 June 2019 (compared to 90% in 2017/18).

3.3 The audit plan for 2018/19 was approved by the Joint Audit Committee on 21 March 2018 to deliver 442 days of audit resources.

3.4 It is deemed by Internal Audit that the audit plan contains sufficient and adequate coverage across all services to provide an annual opinion on the effectiveness of the Council's framework of governance, risk management and control.

3.5 There were no fraud Investigations undertaken by the Internal Audit service. However, Internal Audit co-ordinates the Council's National Fraud Initiative (NFI) and has monitored progress against potential data matches throughout the year.

Maintaining Performance and Standards

3.6 Auditor's performance is monitored and maintained through:

- Independent management review of all audits.
- Annual development appraisals (in line with Council policy)
- Ongoing training and development
- Continuing professional development as required by relevant professional bodies.

- 3.7 In undertaking all audit reviews our officers have acted independently, objectively and ethically at all times. All Auditors sign an annual declaration of the Institute of Internal Auditor's (IIA) code of ethics, which confirms that they will remain independent and will report any conflicts of interest to the Audit Partnership Manager or Strategic Director.
- 3.8 The Public Sector Internal Audit Standards (PSIAS) require the Internal Audit Team to develop and maintain a Quality Assurance and Improvement Programme (QAIP). The QAIP must include an annual self-assessment and an external assessment every five years. The standards are now in their sixth year and therefore the Internal Audit Service is overdue for an external assessment. However, due to Local Government Re-organisation, it has been deemed that it would not be beneficial to the Council to obtain an external assessment this year given that the Internal Auditing arrangements will be changing.
- 3.9 A self-assessment has been carried out by the Internal Audit Manager. It is deemed that the Internal Audit Service meet the standards set by the PSIAS save for the non-compliance detailed in paragraph 3.8. Although the self-assessment has identified minor improvements to the service, these will not be actioned due to the changes in Internal Auditing arrangements due to Local Government Reorganisation. However, **Annexe 3(C)** outlines the weaknesses identified.

Annexes:

Annexe 1(C): Internal Audit Plan Summary of Opinions 2018/19

Annexe 2(C): Assurance Framework 2018/19

Annexe 3(C): PSIAS Self-Assessment Summary of Issues

Annexe 1(C)

INTERNAL AUDIT PLAN SUMMARY OF OPINIONS 2018/19

		Quarter to be completed				Assurance Opinion	Number of Recommendations			
Christchurch and East Dorset Councils		Audit Days	Q1 Apr-Jun	Q2 Jul-Sep	Q3 Oct-Dec		Q4 Jan-Mar	High	Medium	Low
Beach Huts (CBC)	8	FINAL				Adequate	0	1	2	0
Moorings & Dinghy Park (CBC)	8	FINAL				Adequate	0	1	2	0
Grants inc Ward Budgets	10	FINAL				Adequate	0	4	3	0
Community Facility Policy and Asset management	15	FINAL				Adequate	0	0	1	0
Moors Valley Country Park (EDDC)	15	FINAL				Adequate	0	7	5	0
Development Management (From 17/18)	10		FINAL			Adequate	0	3	3	0
Estate Management (inc Investment Property and Community facilities)	10		FINAL			Adequate	0	4	1	0
Highcliffe Castle (CBC)	15			FINAL		Adequate	0	5	6	4
Treasury Management	10			FINAL		Adequate	0	0	3	0
Creditors	15			FINAL		Limited	1	1	1	0
Cash Receipting and Reconciliation	15			FINAL		Adequate	0	2	2	0
Debtors	15			FINAL		Adequate	0	5	0	0
Council Tax	15			FINAL		Adequate	0	2	1	0
National Non Domestic Rates	15			FINAL		Adequate	0	2	1	0
Benefits	10			FINAL		Substantial	0	0	0	0
Information Governance - GDPR	10			FINAL		Adequate	0	5	1	0
Parking and Enforcement	15			FINAL		Adequate	0	2	2	0
Main Accounting System inc bank reconciliation	10				FINAL	Adequate	0	2	1	0
Payroll (inc T&S, Car Loans and Member Allowances and Civic Expenses)	15				FINAL	Adequate	0	1	1	0
IT	10				FINAL	Limited	1	1	0	0
Procurement	20				FINAL	Adequate	0	2	0	0
Engineering Maintenance (Works) to include Asset Inspections	15				FINAL	Adequate	0	3	0	0
Housing	15				FINAL	Adequate	1	1	1	0
Planning Policy/S106/CIL (From 17/18)	10				FINAL	Adequate	0	4	1	2

Annex 2(C): Assurance Framework 2018/19

Audit	Lead Service	Leisure & Community (LC)	ICT & Communications (ICT)	Organisation Development (OD)	Growth & Economy (GE)	Public Health & Protection (PH)	Housing (H)	Planning (P)	Legal & Democratic (LD)	Financial Services (FS)	Property, Engineering & Car Parks (PEC)	Total Days 18/19
Key Financials												
Main Accounting System inc bank reconciliation	FS	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
Treasury Management	FS									✓		10
Creditors	FS	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15
Cash Receipting and Reconciliation	FS	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15
Payroll (inc T&S, Car Loans and Member Allowances and Civic Expenses)	FS	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15
Debtors	FS	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15
Council Tax	FS									✓		15
National Non Domestic Rates	FS									✓		15
Benefits	FS									✓		10
Key Assurance Functions												
Risk Management	FS	✓						✓			✓	19
Financial Management	FS	✓	✓					✓	✓	✓	✓	71
Performance Management	OD	✓						✓			✓	4
Asset Management	PEC	✓	✓							✓	✓	14
Information Governance	ICT	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
Business Continuity	OD	✓										1
Health and Safety	PH	✓				✓		✓				5
Human Resources	OD	✓		✓							✓	6
ICT	ICT	✓	✓					✓			✓	10
Procurement	FS	✓	✓								✓	34
Follow ups	FS	✓					✓	✓	✓	✓	✓	10
Counter Fraud & NFI	FS			✓		✓	✓		✓	✓	✓	36
Consultancy/Advice	FS									✓		30
Audit Management	FS									✓		60
Total Days												442
Days Left as WIP												0

Total Plan Days

442

Annexe 3(C): PSIAS Self-Assessment Summary of Issues

The Standard	Issues
3.1 - 1000 Purpose, Authority and Responsibility	
Does the internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity?	The Charter does contain who the 'Board' and 'Senior Management' are; however, it does not specifically define what the terms are.
Does the Audit Charter Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	The Charter does refer to anti-fraud but does not detail the anti-fraud and corruption policies
3.4 - 1300 Quality Assurance and Improvement Programme	
Does the QAIP include both internal and external assessments?	PSIAS requires the Council to have an external assessment every five years. 2018/19 was the sixth year; however, no external assessment has been carried out due to the outcome of the Local Government Reorganisation. This has been highlighted in the annual internal auditor's opinion.
Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?	Self-assessments are undertaken annually. However, as stated above no external assessment has been undertaken within five years.

Does ongoing performance monitoring include obtaining stakeholder feedback?	Audit questionnaires have not been issued and collated at the end of each audit.
4 - Performance Standards	
Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	There is an audit manual in place but this was last updated in 2013. The Audit Manual requires updating.
Has the internal audit activity evaluated the a) design, b) implementation and c) effectiveness of the organisation's ethics-related objectives, programmes and activities?	No audits carried out have evaluated the ethics-related activities of the Councils. It is not proposed that ethics-related audits will be carried out in 2018/19.
Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?	The whistle blowing policy and fraud awareness training are out of date and require updating.



APPENDIX C

CHIEF INTERNAL AUDITOR'S ANNUAL REPORT & OPINION 2018/19

1. PURPOSE

- 1.1 To provide Audit Committee with assurance on the adequacy and effectiveness of the Authority's control environment for 2018/19. This is a requirement of the Public Sector Internal Audit Standards (PSIAS) which the Council is required to take into account in accordance with the Accounts and Audit Regulations 2015.
- 1.2 To provide the Audit Committee with supporting information when considering the Annual Governance Statement (AGS); this also appears on the agenda for this meeting.

2. DECISIONS REQUIRED

- 2.1 Councillors are asked to note the Chief Internal Auditor's (CIA) Annual Report on the overall adequacy and effectiveness of the control environment.

3. BACKGROUND

- 3.1 This annual report is produced in compliance with the PSIAS which requires the Chief Internal Auditor to report annually on the adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment), and covers the period 1st April 2018 to 31st March 2019.
- 3.2 The scope of the Council's control environment that the Chief Internal Auditor is required to provide an opinion on is set out in the Council's Assurance Framework (previously approved by Audit Committee) as detailed in Annexe 1(P). The opinion given by the Chief Internal Auditor assists the Audit Committee in forming their view on the Annual Governance Statement which is also on this meeting's agenda.
- 3.3 The establishment of adequate and effective control systems is the responsibility of management. Internal Audit provides management with independent support and oversight on the adequacy and effectiveness of their systems. Internal Audit work is conducted on an overall assessment of risk(s) basis and does not involve a review of every Council activity, transaction or project. As such the Chief Internal Auditor cannot inherently provide absolute assurance that every element within the control environment is operating adequately and effectively.

4. CHIEF INTERNAL AUDITOR'S ANNUAL OPINION 2018/19

4.1 Based on all the sources of assurance it is the opinion of the Chief Internal Auditor that:

- arrangements were in place to ensure an adequate and effective internal control environment and where weaknesses were identified there was an appropriate action plan in place to address them;
- the systems and internal control arrangements were effective and agreed policies and regulations were complied with;
- adequate arrangements were in place to deter and detect fraud;
- there was an appropriate and effective risk management framework;
- managers were aware of the importance of maintaining internal controls and accepted recommendations made by Internal Audit to improve controls;
- Borough of Poole's internal audit service was effective and compliant with all regulations and standards as required of a professional internal audit service; and that
- the arrangements in respect of the Chief Internal Auditor were consistent with all of the five principles set out in the CIPFA publication "The Role of the Head of Internal Audit in Public Sector Organisations".

4.2 This opinion is primarily based on the results of Internal Audit work undertaken during 2018/19 which is reported in more detail at section 5 below. Councillors should note that Internal Audit recommendations were made throughout the year to improve systems, and whilst internal control weaknesses and non compliance with policies were identified, the Chief Internal Auditor is satisfied that management have agreed to implement all recommendations within agreed timescales.

4.3 This report should be considered alongside all other evidence sources contributing to the Annual Governance Statement (AGS) which will be reported later on this Audit Committee agenda.

5. SUMMARY OF AUDIT WORK & PERFORMANCE 2018/19

5.1 The work of Internal Audit is designed to provide an annual opinion on the adequacy and effectiveness of the control environment. The work carried out in 2018/19 to provide the annual opinion is determined by the risk based Audit Plan approved by the Audit Committee.

5.2 Core Audit & Assurance Work

5.2.1 The majority of the audit resource is allocated to the Core Audit & Assurance Work activity to ensure adequate and effective arrangements are in place to provide assurance on the control environment. This work includes Regularity Audits, Contingency Audits, and Support/Advice to managers, Special Investigations and Counter-Fraud.

5.2.2 All Service Units were audited during 2018/19 and a high percentage (95%) of the audit plan was completed (vs the 90% target). A list of all audits completed during 2018/19 is attached at Annexe 2(P).

5.2.3 Each audit report provides an overall level of assurance on the adequacy of the management arrangements to manage the identified risks within the area reviewed. The assurance level definitions are as follows:

Assurance Level Definitions	
Substantial	There is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.
Reasonable	Whilst there is basically a sound control framework, there are some weaknesses which may put service objectives at risk.
Partial	There are weaknesses in the control framework which are putting service objectives at risk.
Minimal	The control framework is generally poor as such service objectives are at significant risk.

5.2.4 The list of Regularity Audits carried out during 2018/19 in Annexe 2(P) details the assurance level given for each review. In summary, 11 'Substantial', 22 'Reasonable' and 4 'Partial' assurance level opinions were given during the year. There were no Minimal assurance opinions given for any of the audits. The 'Partial' opinion audits were:

Audit	Recommendations to improve controls covering:
Adult Social Care Direct Payments	<ul style="list-style-type: none"> • Content and consistency of care plans • Potential misspending of Direct Payment monies • Checking of spend against the clients care plan • Recovery of potentially misspent monies • Use of external agencies to assist with the financial monitoring of Direct Payment spend
Legal, Democratic & Strategy - Mayoral Assets	<ul style="list-style-type: none"> • Asset register security & contents, asset valuation frequency, asset ownership records and completion of gifts/hospitality registers
ICT & Customer Support - Landline Phones	<ul style="list-style-type: none"> • Validation of monthly bill charges
Financial Services - Creditors	<ul style="list-style-type: none"> • Supplier set up and bank account changes

5.2.6 The Regularity Audits undertaken in 2018/19 covered a range of risks/systems in different Service Units/Schools. Key financial system reviews were carried out on Creditors, Cash Receipting, Treasury Management, Debtors, Housing Benefit and Council Tax/NDR, Main Accounting and Social Services Financial Assessments as set out in Annexe 3(P).

5.2.7 A total of 169 audit recommendations* were made during the year across various Service Units/Schools and action plans have been agreed in all cases to address the control weaknesses identified. *Recommendations are graded High/Medium/Low priority - in relation to the critical/significant/minor implications for the achievement of the Council's objectives

- 5.2.8 All (100%) of recommendations made during 2018/19 were accepted by management as necessary control improvements.
- 5.2.9 The majority (94%) of High priority recommendations due to be implemented in 2018/19 were found to have been actioned on follow up. The remaining recommendations have agreed revised timescales and there are no recommendations that require reporting/escalation to the Audit Committee at this stage.
- 5.2.10 Auditee's score individual areas of the audit process resulting in a combined total client satisfaction score (100% Very Satisfied, 75% Satisfied, 50% Dissatisfied, 25% Very Dissatisfied). The auditee satisfaction score for 2018/19 of 86% exceeded the target of 75%, illustrating a high level of satisfaction with the way in which audits are conducted.
- 5.2.11 Specific audit reviews and audit work requested by Service Units/Schools (Contingency Audits) have been undertaken during the year. Some examples include: Troubled families grant; Mayor's Charity Accounts; & Grant Certification. Internal Audit also provided assurance on funds (approximately £4m) allocated to nurseries, pre-schools and childminders (Free Early Education Funding Audits). Time was also spent on providing support and advice to Service Units/Schools on a wide range of risk, control and compliance issues.

5.3 Counter Fraud Work

- 5.3.1 Counter Fraud work was undertaken during 2018/19 to improve the Council's arrangements for combating fraud & corruption. This work included targeting high risk fraud areas such as contract award, planning applications and pre-employment checks and also tackling high value external fraud against the Council. Time was also spent on coordinating the Cabinet Office National Fraud Initiative (NFI) data matching exercise.
- 5.3.2 Investigations were undertaken during the year in response to every identified or suspected case of financial irregularity.
- 5.3.3 The outcomes of this counter fraud work (including concluded investigations and NFI results) will be incorporated into the Internal Audit Counter Fraud Work and Whistleblowing Referrals annual report which will be presented to the Audit & Governance Committee at the forthcoming October meeting.

5.4 VFM/MTFP and Local Government Reorganisation Work

- 5.4.1 Some specific VFM and benchmarking work was required during the 2018/19 year to support Local Government reorganisation in Dorset work and collaboration and partnership working with Bournemouth Borough Council.
- 5.4.2 To further embed VFM principles, practices, tools and techniques across the Council, the Team was actively involved in the Grant Thornton and CIPFA collaboration and development of the 'CFO Insights' Toolkit. 'CFO Insights' aligns the Council's ethos of matching costs with outcomes and will again be used extensively in supporting the next round of Medium Term Financial

Planning and Budget development during the summer of 2019. Grant Thornton continued to use some of the Council's templates and methodology to highlight best practice and in return a negotiated preferential rate was obtained to subscribe to the toolkit.

- 5.4.3 Time was spent during 2018/19 preparing for Local Government Reorganisation and the creation of Bournemouth, Christchurch & Poole Council. Whilst much of this work centred on operational 'Day 1 soft landing' matters within the wider Audit & Management Assurance Team and within Financial Services as a whole, advice and support was also given to other legacy council services for their specific operational preparedness.
- 5.4.4 Time has also been spent with Grant Thornton to agree principles of consolidation of data for the legacy Councils of Bournemouth, Christchurch and Poole to enable aggregate as well as legacy Council benchmarking whether this be financial, inputs, outcomes or other comparison basis.

5.5 Governance Work

- 5.5.1 The Council's Local Code of Governance was reviewed during the year and work was also undertaken to prepare a new BCP Local Code of Governance which was agreed by the Shadow Authority. The BCP Code will be brought to this committee at its October 2019 meeting for review and to ensure it remains accurate and up to date during this period of rapid governance evolution.
- 5.5.2 Progress made against actions arising from the 2017/18 Annual Governance Statement (AGS) has been reviewed and presented to the Audit Committee.
- 5.5.3 Work has been undertaken to compile the 2018/19 AGS for inclusion in the Council's statement of accounts. In conducting this review Service Unit Heads have confirmed the adequacy and robustness of certain management controls in the form of Management Assurance Statements.

6 Compliance with Professional Standards

- 6.1 The way in which Internal Audit should operate is outlined in the PSIAS. This section sets out how the Internal Audit Service has complied with these professional standards during 2018/19.
- 6.2 A self assessment against the standards, listed below, has been undertaken.
- Mission and Definition of Internal Audit
 - Code of Ethics: Integrity, Objectivity, Confidentiality and Competency
 - Attribute Standards: Purpose authority and responsibility, Independence and objectivity, Proficiency and due professional care, Quality Assurance and improvement programme
 - Performance Standards: Managing the internal audit activity, Nature of work, Engagement planning, Performing the engagement, Communicating the results, Monitoring progress & Communicating the acceptance of risks

The self assessment demonstrated all standards were met. In order for technical compliance with the PSIAS an external review of the Internal Audit service (required under the quality assurance attribute standards) was required to be

undertaken by 31st March 2018. In view of Bournemouth and Poole shared corporate services and Dorset Local Government Reorganisation this external review was postponed, (with the full agreement of the respective legacy Councils Audit & Governance Committees). There is a requirement for a BCP Internal Audit service external assessment which will be considered during 2019.

6.3 The CIPFA publication 'The Role of the Head of Internal Audit in Public Service Organisations' demonstrates the Head of Internal Audit's (HIA) critical role in delivering the organisation's strategic objectives.

6.4 An annual assessment has been carried out against the five principles contained in this document, the Head of Internal Audit:

- should promote good governance, assess the adequacy of governance and management of existing risks, and advise on proposed developments;
- should give an objective and evidenced based opinion on all aspects of governance, risk management and internal control;
- must be a senior manager with regular and open engagement across the organisation with the Leadership Team and the Audit Committee;
- must lead and direct an internal audit service that is resourced to be fit for purpose;
- must be professionally qualified and suitably experienced.

The Chief Finance Officer (CFO) has confirmed through regular 1:1 meetings and an annual appraisal that the Council's Chief Internal Auditor meets the five principles above.

6.5 External Audit (Grant Thornton), as part of their work on the Council's accounts, have stated that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council. This also supports professional standards compliance by the Internal Audit team.

7. CONCLUSION

7.1 It is the opinion of the Chief Internal Auditor that the Internal Audit Team complies with professional standards and has completed sufficient and appropriate work to provide assurance on the adequacy and effectiveness of the Council's internal control environment.

APPENDICES

Annexe 1(P) - BoP Internal Audit Assurance Work 201819

Annexe 2(P) - BoP Audits Completed 201819

Annexe 3(P) - BoP Key Financial Systems Audit Opinion 201819

Borough of Poole

ASSURANCE FRAMEWORK

Internal Audit Assurance Work 2018/19

ASSURANCE SOURCE		INTERNAL AUDIT ASSURANCE WORK	
AGS - REVIEW OF EFFECTIVENESS OF GOVERNANCE FRAMEWORK	HEAD OF INTERNAL AUDIT ANNUAL OPINION	Internal Audit	<ul style="list-style-type: none"> - All Service Units audited during 2018-19 (see Annexe 2(P) for list of audits completed) - 11 "Substantial" and 22 "Reasonable" and 4 "Partial" Assurance Level opinions were given during the year (no Minimal assurance opinions) - Other recommendations were made during the year across various Service Units/Schools. Action plans have been agreed in all cases to address the control weaknesses - 100% of Audits commenced/completed - See 'Summary of Audit Work & Performance' (section 5 of appendix 3) for further details
		Asset Management	<ul style="list-style-type: none"> - A Corporate Property and Asset Management Strategy is in place - Audit of Asset Management Corporate Property carried out ('Reasonable' audit opinion). No high priority recommendations were made
		Business Continuity	<ul style="list-style-type: none"> - Regular reporting took place during the year on corporate emergency planning arrangements to the Emergency Planning Committee - A Corporate Resilience Strategy is in place - Audit review carried out on Poole and Bournemouth Council's current arrangements for business continuity to assist with planned changes for BCP
		Business Planning/ Performance Management/ Partnerships	<ul style="list-style-type: none"> - A Performance Management Framework is in place which applies to all Council services - A narrative, year end 'Performance Story' was produced for 2018-19 reflecting the Council's performance against the Corporate Strategy 2015-19
		Counter Fraud	<ul style="list-style-type: none"> - Audit assignments carried out during 2018/19 have considered the risk of fraud, including reviews of high fraud risk areas. - Corporate Fraud Officer has provided support to service units on high risk external fraud areas (including housing allocation/tenancy) - Several investigations carried out and recommendations made to improve controls - Participation in National Fraud Initiative data matching exercise

ASSURANCE SOURCE		INTERNAL AUDIT ASSURANCE WORK
	Financial Management	<ul style="list-style-type: none"> - Regular financial reporting took place during the year to Cabinet and Council - Internal Audit review of Main Accounting system undertaken during the year and only one high priority recommendation made regarding journal authorisation ('Reasonable' audit opinion)
	Health & Safety	<ul style="list-style-type: none"> - General report on H&S activity and incidents reported to Management Team six-monthly - Internal Audit carried out an annual assurance review on Health and Safety and some recommendations were made to improve arrangements ('Reasonable' audit opinion)
	Human Resources	<ul style="list-style-type: none"> - Internal Audit carried out a review of Human Resources arrangements including payroll, travel & subsistence, pension data and corporate policies ('Reasonable' audit opinion)
	ICT	<ul style="list-style-type: none"> - Audit review carried out reviews of ICT asset management ('Reasonable' audit opinion), contract management ('Substantial' audit opinion) and landline phones ('Partial' audit opinion) - One high priority recommendation made to improve controls over landline phone payments
	Information Governance	<ul style="list-style-type: none"> - Internal Audit carried out a follow up review of Information Governance recommendations. All were found to be satisfactorily addressed - Internal Audits carried out across all Service Units to confirm compliance with GDPR requirements. No significant weaknesses identified
	Procurement	<ul style="list-style-type: none"> - Internal Audit carried out an annual assurance review of Procurement ('Substantial' audit opinion) - Internal Audit reviews of some Service Units procurement processes carried out and recommendations made to ensure future compliance with Financial Regulations - See separate Annual Report on Breaches and Waivers also being reported to this committee
	Project & Programme Management	<ul style="list-style-type: none"> - Regular reporting took place during the year on programmes/projects progress (registered on the CP30 system) to the Corporate Change Board - Audit review carried out on Poole and Bournemouth Council's current arrangements for the management of projects and programmes to assist with planned changes for BCP
	Risk Management	<ul style="list-style-type: none"> - Corporate Risk Management Strategy and framework in place and is used by Service Units as a management tool for prioritisation of limited resources - Regular risk management reporting took place during the year to Audit Committee and Management Team - Audit review carried out on Poole and Bournemouth Council's current arrangements for risk management to assist with planned changes for BCP
	Value for Money	<ul style="list-style-type: none"> - VFM and benchmarking work carried out to support Local Government reorganisation in Dorset work

ASSURANCE SOURCE		INTERNAL AUDIT ASSURANCE WORK
		<ul style="list-style-type: none"> - CFO Insights' Toolkit used which aligns the Council's ethos of matching costs with outcomes - Grant Thornton, the Councils' external auditors carry out an annual assessment of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, and reports its conclusions in their Audit Findings Report and Annual Audit Letter. Their last conclusion (reported to Audit Committee Sept 18) was '<i>we were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources</i>' for y.e 31 March 2018
	Management Assurance Statements	<ul style="list-style-type: none"> - Received from all Service Unit Heads - No significant issues raised
External Assurances		External Audit, External Reviews & Inspections, Regulatory Bodies, Quality/Accreditation Schemes, External Benchmarking, Peer Reviews
Corporate Governance Disclosure Statement		BoP Statutory Officers

Annexe 2(P): 2018/19 BoP Audits Completed

	Service Area	Audit	Assurance Opinion
	SERVICE UNIT AUDITS		
1	Adult Social Care	Direct Payments	Partial
2	Adult Social Care	General Data Protection Regulation (GDPR)	Substantial
3	Children & Young People Social Care	Follow Up	Reasonable
4	Children, Young People & Learning	GDPR, Special Educational Needs & Disability Process and Contract Award	Reasonable
5	Commissioning & Improvement Services	GDPR, Procurement Process, Contract Award	Substantial
6	Commissioning & Improvement Services	GDPR	Substantial
7	Corporate Services – Other	GDPR	Substantial
8	Culture & Community Learning	GDPR, Key Assurance Functions, Museums, Concessions, Counter Fraud	Reasonable
9	Environment	GDPR, Key Assurance Functions and Counter Fraud	Reasonable
10	Financial Services	GDPR and Key Assurance Functions	Reasonable
11	Growth & Infrastructure	GDPR, Key Assurance Functions, Counter Fraud (Planning Applications)	Reasonable
12	Housing & Community Services	GDPR, Key Assurance Functions, Rent Deposit & Rent in Advance Loans	Reasonable
13	Human Resources	GDPR	Substantial
14	Legal, Democratic & Strategy	Mayor Assets	Partial
15	Legal, Democratic & Strategy	Income & Land Charges	Reasonable
16	Legal, Democratic & Strategy	GDPR	Substantial
17	ICT and Customer Support	Asset Management	Reasonable
18	ICT and Customer Support	Contract Management	Substantial

	Service Area	Audit	Assurance Opinion
19	ICT and Customer Support	GDPR	Substantial
	KEY ASSURANCE FUNCTION AUDITS		
20	Financial Services	Asset Management	Reasonable
21	Financial Services	Business Continuity	N/A
22	Corporate Services – Other	Business Planning & Performance Management	N/A
23	Environment	Health & Safety	Reasonable
24	Human Resources	Human Resources Policies	Reasonable
25	ICT and Customer Support	ICT (Landline Phones)	Partial
26	Legal, Democratic & Strategy	Information Governance F/up	N/A
27	Financial Services	Procurement	Substantial
28	Corporate Services – Other	Programme/ Project Management	N/A
29	Financial Services	Risk Management	N/A
	KEY FINANCIAL SYSTEMS AUDITS		
30	Adult Social Care	Social Services Financial Assessments	Reasonable
31	Financial Services	Council Tax/ NDR	Reasonable
32	Financial Services	Housing Benefits	Substantial
33	Financial Services	Debtors	Reasonable
34	Financial Services	Main Accounting	Reasonable
35	Financial Services	Cashiering Services	Reasonable
36	Financial Services	Creditors	Partial
37	Financial Services	Payroll	Reasonable
38	Financial Services	Treasury Management	Substantial
	SCHOOL AUDITS		
39	Children, Young People & Learning	Poole High School	Reasonable

	Service Area	Audit	Assurance Opinion
40	Children, Young People & Learning	Winchelsea School	Reasonable
	COUNTER FRAUD AUDITS		
41	Growth & Infrastructure	Planning Applications	Reasonable
42	All Service Units	Pre-employment checks	Reasonable

Annexe 3(P): BoP Key Financial Systems Opinions 2018/19

Assignment Title	Service Area	2018/19 Opinion	2017/18 Opinion	2016/17 Opinion
Adult Social Care	Social Services Financial Assessments	Reasonable	Reasonable	Reasonable
Financial Services	Council Tax/ NDR	Reasonable	Reasonable	Reasonable
Financial Services	Housing Benefits	Substantial	Substantial	Reasonable
Financial Services	Debtors	Reasonable	Reasonable	Reasonable
Financial Services	Main Accounting	Reasonable	Reasonable	Reasonable
Financial Services	Cashiering Services	Reasonable	Reasonable	Reasonable
Financial Services	Creditors	Partial*	Reasonable	Reasonable
Financial Services	Payroll	Reasonable	Reasonable	Substantial
Financial Services	Treasury Management	Substantial	Reasonable	Reasonable

*Recommendations were made to improve controls over setting up suppliers and bank account changes

This page is intentionally left blank



AUDIT AND GOVERNANCE COMMITTEE

Report subject	Annual Governance Statement 2018-2019 – For the three legacy Councils, Bournemouth Christchurch and Poole
Meeting date	25 July 2019
Status	Public Report
Executive Summary	<p>The Accounts and Audit Regulations 2015 require councils to produce an Annual Governance Statement (AGS) to accompany its Statement of Accounts.</p> <p>This report seeks approval for the Annual Governance Statements for the three legacy Bournemouth, Christchurch and Poole councils.</p> <p>For all three legacy Councils ‘the governance arrangements were fit for purpose and in accordance with the respective governance framework in place at each council’.</p> <p>After considering all the sources of assurance (of governance arrangements) in the legacy councils, BCP Corporate Management Board identified that the following significant governance issues existed.</p> <ul style="list-style-type: none"> • Bournemouth – Information Governance and governance related issues raised in the Ofsted inspection of Children’s Social Services; • Christchurch – none; and • Poole – Information Governance. <p>Action plans to address these significant governance issues, which continue to be relevant for BCP Council, has been produced and is being implemented.</p>
Recommendation(s)	<p>It is RECOMMENDED that:</p> <p>(a) The Annual Governance Statements 2018/19 for the legacy Bournemouth, Christchurch and Poole councils are approved and the Leader and Chief Executive are asked to formally sign them.</p> <p>(b) The BCP action plan to address significant governance issues is approved and a progress update will be presented to the January Audit & Governance Committee.</p>

Reason for recommendation(s)	<p>The Accounts and Audit Regulations 2015 require authorities to conduct a review at least once a year of the effectiveness of its governance arrangements and, following the review, approve an AGS which must accompany and be published with the Council's Statement of Accounts.</p> <p>Due to the timing of the production of the AGS, BCP Audit & Governance Committee is required to approve the AGS for the legacy councils.</p>
Portfolio Holder(s):	Councillor Vikki Slade (Leader of the Council)
Corporate Director	Julian Osgathorpe (Corporate Director Resources)
Contributors	<p>Nigel Stannard (Head of Audit & Management Assurance)</p> <p>Ruth Hodges (Audit Manager)</p> <p>James Cranston (Audit Manager)</p>
Wards	All
Classification	For Decision

Background

1. The Accounts and Audit Regulations 2015 require the Council to produce an Annual Governance Statement (AGS) following review of its governance framework. This review is carried out in accordance with the CIPFA/SOLACE 'Delivering Good Governance in Local Government' framework and guidance.
2. The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and by which it is accountable to, engages with and leads the community.
3. All three legacy councils had similar Local Codes of Governance which described their governance framework. Each used the diagram below, showing the seven principles of governance identified by best practice and associated framework to inform their respective Local Code of Governance.

Diagram 1, taken from the ‘International Framework: Good Governance in the Public Sector’



4. The AGS comments on the effectiveness of these arrangements and identifies any significant issues (weaknesses) for the Council to address.
5. The AGS is published with the respective Council’s Statement of Accounts and is required to be signed by the Chief Executive and Leader, who must be satisfied that the document is supported by reliable evidence. It is reviewed by External Audit as part of the 2018/19 Audit. The Audit & Governance Committee is required to review the AGS and monitor the Council’s response to the issues identified in the action plan.
6. Due to the timing of the production of the AGS, it was necessary for BCP Corporate Management Team to determine any governance weaknesses for inclusion on the legacy Councils’ AGS, and for BCP’s Audit & Governance Committee to review and monitor the response.

Process for Compiling the AGS

7. Each AGS is compiled from a wide range of evidence sources across the Council to determine whether there is evidence to demonstrate they have followed their Local Code of Governance. Sources include:
 - a. Service Unit Annual Management Assurance Statements (MAS);

- b. Executive Director and Statutory Officer Disclosure Statements;
 - c. A follow up of the previous year's Annual Governance Statement Action Plan;
 - d. Chief Internal Auditor's Annual Report and Opinion 2018/19 (reported separately to this Committee);
 - e. Internal documentation and reports such as those reported during the year to the Audit / Audit & Governance Committee, such as the Corporate Risk Register, Breaches, Waivers and Exemptions, and Fraud, Corruption & Whistleblowing); and
 - f. External Inspection reports (such as those from the external auditor, OFSTED and CQC).
8. In Christchurch, any issues for inclusion in the AGS were determined by the legacy Council but, as this was necessarily done before year end, BCP Corporate Management Team considered whether any significant issues had arisen since the AGS was produced.
9. In Bournemouth and Poole, a list of potential issues was identified during the evidence gathering process and was considered by BCP's Corporate Management Team. These included, for example, issues such as:
- Safeguarding;
 - Serious Case Review;
 - Brexit;
 - Local Government Reorganisation in Dorset;
 - Asset Investment Strategy;
 - PHP Governance Board;
 - Fire Safety, and Health & Safety Management & Reporting Arrangements; and
 - Staff Appraisals.
10. These issues were assessed in terms of the extent to which they presented a weakness to the governance arrangements of the Council(s), using the following guidance:
- a. has/may seriously prejudice or prevent achievement of a principal Council objective or priority;
 - b. has/may result in a need to seek additional funding to allow it to be resolved, or has/may result in a significant diversion of resources from another service area;
 - c. has/may led to a material impact on the accounts;
 - d. has/may attract significant public interest or has/may seriously damage the reputation of the Council;
 - e. has/may be publicly reported by a third party (e.g. Grant Thornton, Ofsted) as a significant governance issue; or

- f. has/may result in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

AGS Conclusion(s) and areas requiring improvement

11. For all three legacy Councils **‘the governance arrangements were fit for purpose and in accordance with the respective governance framework in place at each council’**.
12. Corporate Management Team determined that the following issues disclosed in the AGS 2017/18 have now been sufficiently addressed and are no longer considered significant governance issues:
 - a. Borough of Poole – Safeguarding - the governance arrangements are now sound, truly embedded and kept under regular review and scrutiny by the Safeguarding Boards (Adults & Children).
 - b. Christchurch – Leaking of confidential information to the press during 17/18 – the legacy Council Chief Executive addressed this issue during 2018/19 and deemed it no longer necessary to include in the AGS.
13. For other issues (examples shown in paragraph 9) Corporate Management Team determined these were risks or issues to be managed but were not caused by or exacerbated by significant governance issues or weaknesses.
14. **Information Governance** has been included as a significant governance issue for a second year for both Bournemouth Borough Council and Borough of Poole Whilst for both Councils the issues raised last year, including updating the Terms of Reference for the Information Governance Board and embedding the accountability framework have been addressed, some elements of GDPR have not been fully implemented across the Councils. An action plan to address the issues, which continue to be relevant for BCP Council, is included in Appendix D.
15. Following the ‘inadequate / requires improvement’ outcome of the **Bournemouth OFSTED Inspection of Children’s Social Services** in July 2018 this has been included as a significant governance issue in Bournemouth Borough Council’s AGS. This included some governance related weaknesses. The Corporate Director Children’s Services is leading a specific and detailed action plan to address all of the issues raised by OFSTED which will be monitored by the Children’s Services Overview and Scrutiny Committee.
16. High level progress against this action plan will be reported to Audit and Governance Committee during the coming year.

BCP Council – Local Code of Governance

17. The BCP Local Code of Governance was agreed by the Shadow Authority in February 2019. Given the evolving governance arrangements at BCP Council, an update will be brought to Audit & Governance Committee in October 2019.

Summary of Financial Implications

18. The AGS is part of the annual Statement of Accounts and is reviewed by Grant Thornton, the External Auditor, to ensure it is consistent with their understanding of the organisation. Consequently, failure to produce an AGS and / or failure to properly disclose any matter known to the organisation would be reported by Grant Thornton.

Summary of Legal Implications

19. The Accounts and Audit Regulations 2015 require the Council to produce an AGS. Failure to comply would result in the Council not meeting its statutory requirements.

Summary of Human Resource Implications

20. There are no direct human resources implications from this report.

Summary of Environmental Impact

21. There are no direct environmental implications from this report.

Summary of Public Health Implications

22. There are no direct public health implications from this report.

Summary of Equality Implications

23. There are no direct equalities implications from this report.

Summary of Risk Assessment

24. There is a risk that failure to prepare the Annual Governance Statement in line with proper practice would breach the requirements of the Accounts and Audit Regulations 2015.

25. If timely actions are not taken to address the issues in the Action Plan arising from the AGS, then there is a risk that the Council's governance arrangements may not be adequate or consistent with good practice.

Background Papers

None

Appendices

Appendix A – Bournemouth Borough Council AGS 2018/19

Appendix B – Christchurch Borough Council AGS 2018/19

Appendix C – Borough of Poole Council AGS 2018/19

Appendix D – BCP Action Plan arising from legacy councils' AGS 2018/19

Appendix A – Bournemouth Borough Council AGS 2018/19



Annual Governance Statement (AGS)

For the Year Ended 31 March 2019

Forward

- 1 Following Local Government Reorganisation (LGR), Bournemouth Borough Council ceased to exist on 31 March 2019 when Bournemouth, Christchurch and Poole (BCP) Council was formed. As the Annual Governance Statement reflects on the governance arrangements in place during the previous year (2018/19), this statement focuses only on the arrangements that were in place for Bournemouth Borough Council during this period and does not take into account BCP Council arrangements.
- 2 Any relevant significant issues identified as part of this Annual Governance process will be incorporated into an Action Plan for implementation by BCP (unless they have already been addressed or superseded), together with any issues identified by the other legacy councils of Poole and Christchurch.

Scope of Responsibility

- 3 Bournemouth Borough Council was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded, accounted for, and used economically, efficiently and effectively. Bournemouth Borough Council also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions were exercised.
- 4 In discharging this overall responsibility, Bournemouth Borough Council was responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and arranging for the management of risk.

- 5 Bournemouth Borough Council adopted a Local Code of Governance which was consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.
- 6 The Annual Governance Statement explains how Bournemouth Borough Council complied with the Code and met the requirements of regulation 6 (1 & 2) and 10 (1) of the Accounts and Audit Regulations 2015 in relation to the preparation, approval and publication of an annual governance statement.

The Purpose of the Governance Framework

- 7 The governance framework was comprised of the systems and processes, culture and values by which the authority was directed and controlled and activities through which it accounted to, engaged with and led its communities. It enabled the authority to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate services and value for money.
- 8 The system of internal control was a significant part of that framework and was designed to manage risk to a reasonable level. It could not eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control was based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; to evaluate the likelihood and potential impact of those risks being realised; and to manage them efficiently, effectively and economically.
- 9 The governance framework was in place at Bournemouth Borough Council for the year ended 31 March 2019.

The Governance Framework

- 10 The Local Code of Governance described the Council's governance framework in relation to the six core principles of good governance as set out by the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.
- 11 The role of the Chief Financial Officer (CFO) in terms of non-statutory codified professional practice, legislative and statutory responsibilities, and corporate governance requirements was set out in the Council's Constitution. The Service Director, Strategic Finance was designated as the Council's CFO. The Council's financial management arrangements conformed to the governance requirements of the CIPFA *Statement of the Role of the Chief Financial Officer in Local Government* (2010). The Council's assurance arrangements also conformed to the governance requirements of the CIPFA *Statement on the*

Role of the Head of Internal Audit (2010). The Head of Audit & Management Assurance was designated as the Council's Head of Internal Audit.

Review of Effectiveness

- 12 Bournemouth Borough Council had responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness was informed by the work of the executive managers within the authority who had responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's Annual Report and Opinion, and also by comments made by the external auditors and other review agencies and inspectorates.
- 13 The process applied by the Council in maintaining and reviewing the effectiveness of the governance framework during the 2018/19 financial year included the following:
 - a The Council reviewed its internal management processes regularly, and any changes or updates were communicated through staff development sessions and any management training that was undertaken.
 - b The Cabinet was responsible for the majority of the functions of the Council within the budget and policy framework set by Full Council. Executive decisions could be taken by the Cabinet and Cabinet Members acting under delegated powers, depending upon the significance of the decision being made.
 - c The Audit and Governance Committee was independent of the Council's Executive and was responsible for overseeing internal and external audit, risk management processes and reviewing the adequacy of internal controls.
 - d The Overview and Scrutiny Management Panel did not have any decision making powers, but conducted reviews and held enquiries and, where it considers it appropriate, the Panel reviewed the decisions of the Cabinet. The Overview and Scrutiny structure also allowed residents, community groups, local businesses and visitors to have a greater say in Council matters by looking into matters of local concern and making recommendations to Council.
 - e The Standards Committee was established by Full Council and was responsible for promoting and maintaining high standards of conduct amongst Councillors.
 - f The Chief Financial Officer was charged with ensuring, amongst other things, that there was effective stewardship and probity in the use of resources.
 - g The Monitoring Officer had a duty to keep under review the operation of the Constitution to ensure it was lawful, up to date and fit for purpose.

- h The Council reached a good level of performance against the ‘CIPFA Code of Practice on Managing the Risk of Fraud and Corruption’. This means the organisation had put in place effective arrangements across many aspects of the counter-fraud code and took taking positive action to manage its risks.
 - i The Internal Audit Service provided an independent appraisal function, which delivered management with a level of assurance on the adequacy of internal controls and of risks to the Council’s functions and systems.
- 14 In addition, a full year end assessment of the effectiveness of the governance arrangements at both the Service Unit and Corporate level has been undertaken. The findings from these assessments, together with an assessment of the findings from external audit and inspection reports, and the Chief Internal Auditor’s Annual Report and Opinion, have been used to inform the assessment of governance issues for the Council.
- 15 The result of the review of the governance framework has confirmed that the arrangements continued to be fit for purpose and in accordance with the governance framework.
- 16 While overall governance arrangements were considered sound, two significant governance issues were identified for inclusion. These were Information Governance, brought forward from 2017/18, and the Ofsted Inspection of Children’s Services, which is a new addition for 2018/19:

Issue	Detailed Issues	Summary Action Plan
Information Governance	The issues raised in last year’s AGS, including updating the Terms of Reference for the Information Governance Board and embedding the accountability framework have been addressed. However, some elements of GDPR have not been fully implemented throughout the Council e.g. Information asset registers and identified information asset owners.	BCP Service Directors will need to assess the completeness of Information Asset Registers and ensure Information Asset Owners are appointed. More details will be included in the BCP Action Plan
Ofsted – Inspection of Children’s Social Services	The outcome of the Bournemouth Ofsted inspection of Children’s Social Services in July 2018 was inadequate / requires improvement, and included governance related issues such as management oversight and supervision, performance information, and effectiveness of leaders. In response to the Ofsted report, a Post Inspection Improvement Plan Board was set up to monitor progress, which	The BCP Corporate Director (Children’s Services) will assess improvement against the issues identified in the Ofsted inspection, and an action plan will be drawn up to address these. More details will be included in the BCP Action Plan

	was reported to Children’s Services Overview & Scrutiny Panel.	
--	--	--

17 Information Governance and Children’s Services will therefore be incorporated into a BCP Action Plan, along with any relevant issues from legacy Poole and Christchurch councils.

We propose over the coming year to take steps as set out in the BCP AGS Action Plan to address the matters above and to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of the annual review for BCP Council 2019/20.

Signed _____ Date _____

G Farrant - Chief Executive of BCP Council

Signed _____ Date _____

V Slade - Leader of BCP Council

Appendix B – Christchurch Borough Council AGS 2018/19
Annual Governance Statement
Christchurch Borough Council

2018-2019

1. Scope of Responsibility

Christchurch Borough Council was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded, properly accounted for, and used economically, efficiently and effectively. Christchurch Borough Council also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Christchurch Borough Council was responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which included arrangements for the management of risk. The overall aim of the Council's governance arrangements were to ensure that resources were directed in accordance with agreed policy and according to priorities, that there was sound and inclusive decision making and that there was clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

Christchurch Borough Council had approved and adopted a code of corporate governance which was consistent with the principles of the CIPFA/SOLACE Good Governance Framework 2016.

The statement explains how Christchurch Borough Council had complied with the code and also met the requirements of the Accounts and Audit (England) Regulations 2015 which requires all relevant bodies to carry out an annual review of the effectiveness of its system of internal control and prepare an annual governance statement.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority was directed and controlled and its activities through which it accounted to, engaged with and led its communities. It enabled the authority to monitor the achievement of its strategic objectives and to consider whether those objectives had led to the delivery of appropriate services and value for money. The attainment of sustainable economic, social, and environmental outcomes was a key focus of governance processes and structures.

The system of internal control was a significant part of that framework and was designed to manage risk at a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control was based on an on-going process designed to identify and prioritise the risks to the achievement of Christchurch Borough Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework was in place at Christchurch Borough Council for the year ended 31st March 2019.

3. The Governance Framework

The Local Code of Corporate Governance describes the Council's governance framework in relation to the CIPFA/SOLACE Good Governance Framework 2016 and demonstrates how it complies with the principles.

The framework defines the principles that should underpin the governance of the Council. The framework centres on the following 7 principles, with principles A and B permeating the implementation of principles C to G.

A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
B	Ensuring openness and comprehensive stakeholder engagement.
C	Defining outcomes in terms of sustainable economic, social and environmental benefits.
D	Determining the interventions necessary to optimise the achievement of the intended outcomes.
E	Developing the entity's capacity, including the capability of its leadership and the individuals within it.
F	Managing risks and performance through robust internal control and strong public financial management.
G	Implementing good practices in transparency, reporting and audit to deliver effective accountability.

The Council described its vision, aims and objectives for Christchurch and its partnership with East Dorset District Council in the Corporate Plan, the Local Plan and the Partnership Development Strategy. In doing so the Council defined outcomes in terms of sustainable economic, social and environmental benefits.

The Council had adopted a Constitution that sets out how the council operated, how decisions were made and the procedures which were followed to ensure that these are efficient, transparent and accountable to local people. This Constitution included a scheme of delegation, detailed the roles and responsibilities of the Council, its Members and Committees and also included

codes of conduct for Members and Officers. The Constitution also contained rules and procedures such as the Financial Procedure Rules and the Contract and Procurement procedure rules. The Constitution and its components were regularly reviewed and set the tone for behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

A Joint Audit Committee operated to provide independent assurance to the Council, along with East Dorset District Council, on issues such as the effectiveness of the internal control environment.

The Council aimed to ensure that all Members and Officers of the Council had the skills, knowledge and capacity they needed to discharge their responsibilities effectively. The Council recognised the value of a well-trained, competent workforce.

The Council aimed to have clear channels of communication with all sections of the community and other stakeholders, to ensure accountability and encourage open consultation. To support this aim, the Council had the skills to ensure appropriate consultancy took place to enable openness and comprehensive stakeholder engagement.

4. Review of Effectiveness of the Governance Framework

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Team (who have responsibility for the development and maintenance of the governance environment), the Internal Audit annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Christchurch Borough Council's financial management arrangements conform to the governance requirements of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2015).

Both in year and year-end review processes have taken place to review the effectiveness of the Council's Governance Framework. In year review mechanisms included:

- a. The Committee Chairmen were experienced Councillors who are responsible for considering overall financial and performance management and received comprehensive reports on a regular basis. Members were also committed to upholding good governance through their role as the heart of the day-to-day decision-making process.
- b. The Scrutiny & Policy Overview Committee met on a regular basis throughout the year and reviewed decisions and actions taken in connection with the discharge of the Council's functions and policy committee decisions. The Committee's work programme supported the Council's Corporate Plan and policy committees in the development of its

budget and policy framework by in depth analysis of policy issues. Issues considered during the year included:

- Scheme of Delegation
- The Constitution
- Annual Report on Regulation of Investigatory Powers Act RIPA
- Local Government Reorganisation

Following the enactment of the Localism Act, Christchurch Borough Council created The Ethical Governance Committee. This Committee promoted and maintained high standards of conduct in the Council and assisted Members in observing the Code of Conduct.

Under the provisions of the Localism Act 2011 and the Members Code of Conduct, in 2018/19 there was 1 Member of the Christchurch Borough Council reported to the Monitoring Officer for allegations of breach of the Code of Conduct.

As the officers with overall responsibility for governance across the organisation, the Chief Executive (Head of Paid Service), the Partnership Democratic and Legal Services Manager (Monitoring Officer) and the Strategic Director - Finance (Chief Financial Officer) met when required.

The Monitoring Officer role was fulfilled by the Partnership Democratic and Legal Services Manager, who in turn reported to the Strategic Director – Finance (Chief Financial Officer). The Monitoring Officer had access to the Chief Executive and the Corporate Management Team, but was not a member of the Corporate Management Team.

The Strategic Director - Finance also played an active role in the on-going review and maintenance of the governance arrangements, for example, providing financial support to decision making and supporting and advising the Joint Audit Committee.

The Joint Audit Committee met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the Council's internal control environment. In accordance with Regulation 6 of the Accounts and Audit (Amendment) (England) Regulations 2015; the Joint Audit Committee also reviewed the effectiveness of the Council's system of internal audit.

Additionally, the Joint Audit Committee reviewed and approved the Internal Audit annual risk based audit plan, Internal Audit performance reports, risk management updates, and the reports from the External Auditor, including the Annual Audit Letter.

The Council's Internal Audit Section operated to the standards set out in the United Kingdom Public Sector Internal Audit Standards, and the Institute of Internal Auditors' Code of Ethics and International Standards. The Internal Audit Charter for the Internal Audit Service and the strategy for delivering the internal audit plan were agreed by the Joint Audit

Committee to deliver effective accountability by implementing good practices in transparency, reporting and audit.

The Internal Audit Service worked to a risk-based Internal Audit Plan that was approved by the Section 151 Officer, following consultation with Service Unit Heads. The Annual Audit Plan (and progress against it) was reported throughout the year to the Joint Audit Committee and the Corporate Team. This supported and assisted management in determining the interventions necessary to optimise the achievement of the intended outcomes of plans and service delivery.

In addition the Internal Audit Section undertook fraud investigation and proactive fraud detection work which included reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit were reported to management and the Joint Audit Committee.

The review and monitoring of strategic risks was undertaken by the Corporate Team and reported regularly to the Joint Audit Committee in order to manage risks and performance through robust internal control and strong public financial management.

Grant Thornton's Audit Findings Report and Annual Audit Letter were considered by the Corporate Team and the Joint Audit Committee on behalf of the Council. The Council ensured that corrective action plans were in place for key issues identified through these reviews.

Services used a range of national and local measures to monitor and report progress to Strategic Directors and Portfolio Holders on delivering their business plans.

The on-going review of the governance arrangements and the control environment included:

INTERNAL AUDIT OPINION

Management were responsible for maintaining adequate and effective control systems, managing risks and complying with Governance arrangements. Internal Audit reviews risk based systems and processes.

The opinion concluded on the overall adequacy and effectiveness of the Councils' framework of governance, risk management and control.

Assurance Rating	Number of Audit Reviews in 2018/19	% against total reviews completed
Substantial Assurance - There is a strong system of control designed to achieve the system objectives with controls being consistently applied.	1	4%
Adequate Assurance - Whilst there is basically a sound system, there are weaknesses which may put some of the system objectives at risk.	20	87%
Limited Assurance - Weaknesses in the system of controls are such as to put system objectives at risk.	2	9%
No Assurance - Control is generally weak leaving the system open to significant error or abuse.	0	0%
Total Number of Audit Reviews Completed	23	
Reviews currently 'work in progress'	1	
Total Number of Audit Reviews to be undertaken in 2018/19	24	

23 audit reviews were finalised and reported in 2018/19. 1 is currently work in progress.

The Assurance Framework demonstrated that key assurances have been reviewed across all of the Council's services.

In forming the annual opinion, third party assurance was collected from the Borough of Poole in relation to the SVPP Debtors audit review. 65 days of auditor resource was purchased from Portsmouth City Council.

Based on the work undertaken by Internal Audit during 2018/19, it is the opinion of Internal Audit that:

- Managers were aware of the importance of maintaining internal controls, managing risks and working to good governance standards and accept recommendations made by Internal Audit to improve any weaknesses identified;
- The systems and internal control arrangements had generally been adequate;
- Where significant weaknesses were identified during the year, high priority recommendations were made and accepted by Management. Progress made against the high priority recommendations was monitored quarterly by the Joint Audit Committee; and that
- Counter fraud arrangements were in place to deter and detect fraud, however, these arrangements required updating.

It is therefore the opinion of Internal Audit that an overall assurance level of 'adequate' is given for the adequacy and effectiveness of the Councils' framework of governance, risk management and control.

A CIPFA/SOLACE checklist was used to assess the Authority's performance against seven core principles of good governance.

Annual Management Assurance Statements were reproduced and signed off by Service Unit Heads in respect of governance and internal control issues.

Review of external audit and other inspection agency reports received during the year, as follows:

(i) Grant Thornton – Annual Audit Letter 2017/18

The Annual Audit Letter was reported to the Joint Audit Committee in September 2018 and summarised the findings from the 2017/18 audit and included the messages arising from Grant Thornton's audit of the Council's financial statements and the results of the work undertaken to assess the Council's arrangements to secure value for money in the use of resources.

The report gave an unqualified opinion confirming that the financial statements were free from material error. The report stated that the financial statements and supporting working papers presented for audit were of a good quality and received by the deadline. The report gave an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

5. Significant Governance Issues

Governance issues can be put into two groups:

- (i) Elements of the governance framework for which the compliance assessment has identified that some improvement is necessary to provide full assurance; or
- (ii) Issues that the governance framework has identified and which require action to mitigate the exposure of the Council. These are all contained within the Strategic Risk Register.

In the first group there were no elements of the framework for which the judgement is that Christchurch Borough Council was not compliant.

5.1 Elements of the Governance Framework where Improvement is Necessary

There were no elements of the Governance Framework which were considered to need addressing.

5.2 Elements of the Strategic Risk Register

The second group were issues that involve a significant financial or reputational risk to the Council. A prime purpose of the governance framework is to minimise the occurrence of such risks and ensure that any which do arise were highlighted so that appropriate mitigating action can be taken. These issues were largely substantial challenges to be managed over the long term. Many of the headings were the same as in previous years although the details change over time.

a) Not responding adequately to a Business Continuity Event.

A significant amount of work had been undertaken in recent years to improve the Council's resilience should an event arise that interrupts our business continuity. It is recognised that not responding adequately to such an event could still have a critical impact upon the Council, although the probability of this happening is reduced through the mitigating actions that have been put in place. Further mitigating actions required include reviewing the Council's data centre resilience measures.

b) Recruitment and Retention

The Council had recognised the increasing difficulty that some specialist areas of work are having in recruiting suitably qualified and experienced members of staff. This was expected to be compounded by Local Government Reorganisation in Dorset. This risk did not materialise to such an extent that it was an issue.

c) Development Management

Additional pressure and volumes within the Development Management service had increased the risk of delays and the potential for complaints which could result in legal action being taken against the Council. The Council had already put in place significant improvements and control measures to reduce this risk and recognised that this level of improvement must continue and be closely monitored. Service Improvements continued throughout the year.

d) Resilience of ICT Systems

The Council had recognised that the increasing transfer to new ways of working for officers, Members and our stakeholders places considerable reliance on multiple ICT systems and integrated communication networks. Some of this reliance is placed on third party suppliers. The Council recognised the risk to the potential interruption to our service delivery and was working to mitigate this risk as much as possible to reduce the impact of temporary interruptions on officers, Members and our stakeholders. Further mitigating actions to be taken include renewal of the ICT Strategy, reviewing data centre resilience arrangements and replacement of legacy servers.

e) Capacity

The Council recognised that the rapid pace of a change being brought about by LGR is affecting the capacity of some teams. The partnership had identified a number of mitigating controls to support staff as much as possible through what can be a challenging time and monitored indicators such as staff absence.

Signed _____ Date _____

G Farrant - Chief Executive of BCP Council

Signed _____ Date _____

V Slade - Leader of BCP Council

Appendix C – Borough of Poole Council AGS 2018/19



ANNUAL GOVERNANCE STATEMENT (AGS) 2018/19

1 FORWARD

- 1.1 Following Local Government Reorganisation (LGR), the Borough of Poole Council ceased to exist on 31 March 2019 when Bournemouth, Christchurch and Poole (BCP) Council was formed. As the Annual Governance Statement reflects on the governance arrangements in place during the previous year (2018/19), this statement focuses only on the arrangements that were in place for the Borough of Poole during this period and does not take into account BCP Council arrangements.
- 1.2 Any significant issues identified as part of this Annual Governance process will be incorporated into an Action Plan for implementation by BCP (unless these have already been addressed or superseded), together with any issues identified by the other legacy councils of Bournemouth and Christchurch.

2 SCOPE OF RESPONSIBILITY

- 2.1 Borough of Poole was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded, accounted for and used economically, efficiently and effectively. The Borough also had a duty under the Local Government Act 1999 (as amended) to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In discharging these overall responsibilities, Borough of Poole was responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 2.3 Borough of Poole adopted a Local Code of Governance, which summarises the Council's governance framework consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.
- 2.4 This statement explains how the Borough of Poole complied with the Code and met the requirements of the Accounts and Audit Regulations 2015 in relation to the preparation, approval and publication of an annual governance statement.

3 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 3.1 The governance framework comprises the systems and processes, and culture and values, by which the Borough was directed and controlled, and by which it accounted to, engaged with and led the community. It included arrangements to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate, cost-effective services.
- 3.2 The system of internal control was a significant part of that framework and was designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and therefore only provided reasonable and not absolute assurance of effectiveness. The system of internal control was based on an ongoing process designed to identify and prioritise the risks to the achievement of the Borough's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.
- 3.3 The governance framework was in place at the Borough of Poole for the year ended 31 March 2019.

4 REVIEW OF EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The Borough of Poole had responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review considered both in-year arrangements (4.1) and year end review processes (4.2) that took place to review the effectiveness of the Borough's governance framework.

4.1 IN-YEAR OPERATIONAL EFFECTIVENESS

The following aspects describe the **in-year, continuous** elements of the governance framework that helped to ensure the on-going robustness of governance arrangements of the Council.

1. **Decisions** taken, by both Councillors and Officers, in line with the Constitution and schemes of delegation.
2. The **Cabinet** and its **Portfolio Holders** were experienced Councillors who were responsible for considering overall financial and performance management and received comprehensive reports on a regular basis. Members were also committed to upholding good governance through their role as the heart of the day-to-day decision-making process.

3. **Overview and Scrutiny Committee** arrangements on the Council's themes of People, Place and Business Improvement were in operation.
4. The **Standards Committee** met during the year to consider and review issues relating to the conduct of Councillors including referrals from the Standards Board.
5. The **Audit Committee** met throughout the year to provide independent assurance to the Council in relation to the effectiveness of the Council's governance arrangements, risk management framework and internal control environment. In accordance with the Accounts and Audit Regulations 2015, the Audit Committee also reviewed the effectiveness of the Borough's system of internal audit. The Audit Committee had delegated approval to approve the Authority's Statement of Accounts.
6. The **Audit Committee** considered a variety of governance related reports during the year, including a breaches, waivers and exemptions report, whistleblowing, and counter fraud and corruption arrangements. Additionally, the Audit Committee reviewed and approved the internal audit annual risk based audit plan, internal audit performance reports, risk management updates, and the reports from the External Auditor, including the Annual Audit Letter. The Chief Auditor attended all Audit Committee meetings.
7. As the officers with overall responsibility for governance across the organisation, the Chief Executive (Head of Paid Service), Head of Legal and Democratic Services (Monitoring Officer) and Head of Financial Services (Chief Financial Officer) met approximately every two months as the **Statutory Officers Group**.
 - The **Chief Executive** – was designated Head of Paid Service and functions included:
 - Overall strategic and corporate management and operational responsibility (including overall management responsibility for all officers);
 - Provision of professional advice to all parties in the decision making process;
 - Together with the Monitoring Officer responsibility for a system of record keeping for all the Council's decisions; and
 - Representing the Council on partnership and external bodies (as required by statute or the Council).
 - The **Monitoring Officer** – functions included:
 - Maintaining the Constitution;
 - Ensuring lawfulness and fairness of decision-making;
 - Supporting the Standards Committee;
 - Dealing with Complaints;

- Proper officer for access to information;
- Advising whether Cabinet decisions are within the Budget and Policy Framework;
- Providing advice; and
- Contributing to corporate management.
- The **Head of Financial Services** – functions included:
 - Ensuring lawfulness and financial prudence of decision making;
 - Administration of financial affairs;
 - Contributing to corporate management;
 - Providing advice; and
 - Giving financial information.
- The Council’s Constitution contained a statement on ‘**The Role and Function of the Chief Finance Officer**’. This explained the role of the Chief Financial Officer (CFO) in terms of non-statutory codified professional practice, legislative and statutory responsibilities, and corporate governance requirements.
- The Council’s financial management arrangements conformed to the governance requirements of the CIPFA ‘**Statement of the Role of the Chief Financial Officer in Local Government**’ (2016). The CFO and Monitoring Officer were formal co-opted members of the Council’s Management Team.

8. **Management Team** met weekly and were responsible for:
- Managerial leadership vision and strategic direction of the Council;
 - Formally responding to Cabinet policy direction to fulfil the Council’s corporate strategy;
 - Council wide policy and initiatives for Cabinet consideration;
 - Defining corporate culture and core values;
 - Ensuring the Council meets its statutory obligations;
 - Exercising sound corporate governance and effective corporate resource management; and
 - Ensuring the performance of the Council was managed effectively.

Management Team, together with the Head of ICT & Customer Support, Head of HR and the Programme Manager, met monthly as the **Corporate Change Board**. They were responsible for the coordination of the Council’s major change programmes.

9. The officer **Property Steering Group** supported the organisation with delivery of the Corporate Property Strategy (including estate management, property maintenance and accommodation).

10. The Council's **Internal Audit** service:
 - Operated to the standards set out in the United Kingdom Public Sector Internal Audit Standards (PSIAS).
 - Had a terms of reference and strategy for delivering the Internal Audit Plan agreed annually by Audit Committee.
 - Worked to a risk-based Internal Audit Plan that was approved by the Section 151 Officer, following consultation with Service Unit Heads. The annual Internal Audit Plan and progress was reported throughout the year to the Audit Committee. The plan was developed to enable an opinion to be given on the Assurance Framework approved by the Audit Committee and took into account the high risk issues, corporately and at service unit level, fraud risks, and key financial systems controls.
 - Undertook fraud investigation and proactive fraud detection work, as detailed in the Counter Theft, Fraud and Corruption Policy, which included reviewing the control environment in areas where fraud or irregularity has occurred. Significant weaknesses in the control environment identified by Internal Audit were reported to management and the Audit Committee.
11. Arrangements were in place in Service Units to record, monitor and mitigate risk. The **Corporate Risk Register** was updated quarterly following agreement at Management Team, and was reported to Audit Committee.
12. Governance arrangements for key **partnerships** were in place, including a governance checklist for significant new partnerships.
13. The **Complaints** and **Data Protection Breach reporting process** were designed to identify and address any weaknesses which may arise.
14. **External reviews and inspections** were carried out throughout the year and the results are reported appropriately and action taken where necessary (see 4.2e & f). These include Grant Thornton's **Audit Findings Report** which was considered by Management Team and the Audit Committee on behalf of the Council.
15. The Council continued to proactively **develop** and **update** governance arrangements, for example, developing robust Local Government Reorganisation programme governance arrangements.
16. Service Units used a range of measures to **monitor and report performance** on delivering their business plans to Strategic Directors and Portfolio Holders.
17. **Financial management** reports are received regularly by Cabinet.

4.2 YEAR END REVIEW OF EFFECTIVENESS

The following describes the year-end review of the governance arrangements and the control environment which was largely structured around the areas set out in the Councils Assurance Framework shown in the table below:

		ASSURANCE SOURCE		RESPONSIBLE SERVICE UNIT/BODY	
AUDIT COMMITTEE	AGS - REVIEW OF EFFECTIVENESS OF GOVERNANCE FRAMEWORK	HEAD OF INTERNAL AUDIT ANNUAL OPINION	Asset Management	Financial/Growth & Infrastructure	
			Business Continuity	Financial	
			Business Planning/Performance Management/Partnerships	Corporate	
			Counter Fraud	Financial	
			Financial Management	Financial	
			Health & Safety	Environment & Consumer Protection	
			Human Resources	Human Resources	
			ICT	ICT & Customer Support	
			Information Governance	Legal & Democratic	
			Internal Audit	Financial	
			Management Assurance Statements	Service Unit Heads	
			Procurement	Financial	
			Project & Programme Management	ICT & Customer Support	
			Risk Management	Financial	
			EXTERNAL ASSURANCES	External Audit	Grant Thornton
		External Reviews & Inspections		e.g. OFSTED	
		Regularity Bodies		e.g. Information Commissioner	
		Quality/Accreditation Schemes		e.g. Positive About Disabled People	
		External Benchmarking		e.g. CFO Insights	
		OTHER	Corporate Governance Disclosure Statements	BoP Statutory Officers	

- a. **Internal Audit.** A review of Internal Audit report findings and recommendations, particularly in relation to those carried out for the assurance areas listed above, did not identify any significant governance issues.. Note: As an Internal Audit review was conducted on a risk based sampling process and did not involve a review of every Council activity, transaction or project, the Chief Internal Auditor is unable to provide absolute assurance that the internal control environment is operating adequately and effectively.
- b. **The Chief Auditor's Annual Report 2018/19** was reported to the Audit Committee. This stated that it was the opinion of the Chief Internal Auditor that arrangements are in place to ensure an adequate and effective internal control environment exists for those areas set out in the Council's Assurance Framework. The systems and internal control arrangements continue to be effective and agreed policies and regulations are complied with. Managers are aware of the importance of maintaining internal controls and accept recommendations made by Internal Audit to improve controls. Adequate arrangements are in place to deter and detect fraud.

- c. **Annual Management Assurance Statements (MAS)** were produced and signed off by Service Unit Heads in respect of governance and internal control issues.
- d. The **statutory officers** (Chief Executive, Head of Legal and Democratic Services and Head of Financial Services) and **Strategic Directors** declare any areas of significant governance weakness they are aware of. **Statutory Officer Group** and **Management Team** considered the significant governance issues to be included on the Annual Governance Statement.
- e. There were no significant governance issues arising from the following **External Audit** reports received during the year:
- Grant Thornton:**
- Audit Findings Report
 - Annual Audit Letter
 - Certification Report
- f. Other **external inspections**, including the Independent Review of the Housing Management Function., did not identify any significant governance issues.
- g. A review of fraud and special investigations carried out by Internal Audit during the year and the annual report on **Counter Fraud work** (received annually by Audit Committee in September) did not identify any significant governance issues.
- h. The Council reached a good level of performance against the '**CIPFA Code of Practice on Managing the Risk of Fraud and Corruption**'. This means the organisation put in place effective arrangements across many aspects of the counter-fraud code and took positive action to manage its risks.
- i. A review of **Breaches, Waivers and Exemptions** of the Financial Regulations (received annually by Audit Committee in July) did not identify any significant governance issues.
- j. A review of the **Corporate Risk Register** (received quarterly by Audit Committee) did not identify any significant governance issues.
- k. Follow up of **2017/18 AGS Action Plan**.

5. EVALUATION, CONCLUSION AND SIGNIFICANT GOVERNANCE ISSUES

5.1 Following review of effectiveness of governance arrangements, it is considered that, for the year ended 31 March 2019, the Borough of Poole had effective, fit-for-purpose governance arrangements in place which:

- supported delivery of its purpose, priorities, values and service objectives;
- were in accordance with the Borough's of Poole Local Code of Governance; and
- supported the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.

5.2 While overall governance arrangements were considered sound, one significant governance issue brought forward from 2017/18, Information Governance, was identified for inclusion:

Issue	Detailed Issues	Summary Action Plan
Information Governance	The issues raised in last year's AGS, including updating the Terms of Reference for the Information Governance Board and embedding the accountability framework have been addressed. However, some elements of GDPR have not been fully implemented throughout the Council e.g. Information asset registers and identified information asset owners.	BCP Service Directors will need to assess the completeness of Information Asset Registers and ensure Information Asset Owners are appointed. More details will be included in the BCP Action Plan.

5.3 Information Governance will therefore be incorporated into the BCP AGS Action Plan, along with any relevant issues from legacy Bournemouth and legacy Christchurch councils.

5.4 No new significant governance issues for inclusion on the Annual Governance Statement were identified during the review.

5.5 The other issue raised in 2017/18, Safeguarding, has been removed as a significant governance issue for this year because the Council believes the governance arrangements for safeguarding are generally sound, kept under regular review and scrutiny, and improvements made where necessary.

This statement explains how the Borough of Poole complied with the requirements of the code and meet the requirements of the Accounts and Audit Regulations 2015.

We have been advised on the implications of the results of the review of the effectiveness of the governance framework and BCP has a plan to address weaknesses and ensure continuous improvement of the system is in place.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of the annual review as BCP Council in 2019/20.

Signed _____ Date _____

G Farrant - Chief Executive of BCP Council

Signed _____ Date _____

V Slade - Leader of BCP Council

BCP Action Plan – arising from legacy Bournemouth, Christchurch and Poole Councils' AGS

Issue	Detailed Issues	Summary Action Plan	Detailed Action	Responsible Officer/s	Target Date
Information Governance	The issues raised in last year's AGS, including updating the Terms of Reference for the Information Governance Board and embedding the accountability framework have been addressed. However, some elements of GDPR have not been fully implemented throughout the Council e.g. Information asset registers and identified information asset owners.	BCP Service Directors will need to assess the completeness of Information Asset Registers and ensure Information Asset Owners are appointed.	The Senior Information Risk Owner (SIRO) to determine the options for providing the Information Governance Board (IGB) with appropriate compliance and performance information to allow them to meet their Terms of Reference. These options could include: <ul style="list-style-type: none"> No compliance function and explicit understanding that no assurance on BCP arrangements will be provided Compliance function assigned to Information Governance Team (or alternative identified) 	SIRO (the Corporate Director – Resources at BCP Council)	August 2019
			A report (provided by the above) detailing progress on implementing GDPR by BCP will be provided to the first meeting of the IGB.	SIRO	October 2019
			IGB to determine any additional action or support to ensure full implementation of GDPR.	SIRO	October 2019

Issue	Detailed Issues	Summary Action Plan	Detailed Action	Responsible Officer/s	Target Date
Ofsted – Inspection of Children’s Social Services	The outcome of the Bournemouth Ofsted inspection of Children’s Social Services in July 2018 was inadequate / requires improvement, and included governance related issues such as management oversight and supervision, performance information, and effectiveness of leaders. In response to the Ofsted report, a Post Inspection Improvement Plan Board was set up to monitor progress, which was reported to Children’s Services Overview & Scrutiny Panel.	The BCP Corporate Director (Children’s Services) will assess improvement against the issues identified in the Ofsted inspection, and an action plan will be drawn up to address these.	The Corporate Director Children’s Services is leading a specific and detailed action plan to address all of the issues raised by OFSTED. This is monitored by the Children’s Services Overview and Scrutiny Committee.	Corporate Director – Children’s Services	As per the details presented to O&S

This page is intentionally left blank



AUDIT AND GOVERNANCE COMMITTEE

Report subject	External Audit Plans 2018/19 for the three legacy Councils (Bournemouth, Christchurch and Poole Councils)
Meeting date	25 July 2019
Status	Public
Executive Summary	<p>The attached reports set out the work that the Councils' External Auditors, Grant Thornton, planned to undertake for the audit of the three legacy Councils' Statement of Accounts in respect of 2018/19 (as previously agreed by legacy Council Audit Committees).</p> <p>The External Auditors planned to give an opinion on whether the accounts give a true and fair view and whether the Councils have made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.</p>
Recommendation(s)	<p>It is RECOMMENDED that:</p> <p>The Audit & Governance Committee notes the Grant Thornton External Audit Plans 2018/19 for the three legacy Councils.</p>
Reason for recommendation(s)	To advise the Audit & Governance Committee of the External Audit annual plans for the three legacy Councils for the audit of the 2018/19 Statement of Accounts.

Portfolio Holder(s):	Councillor Vikki Slade (Leader of the Council)
Corporate Director	Julian Osgathorpe (Corporate Director Resources)
Contributors	Nigel Stannard (Head of Audit & Management Assurance) Simon Milne (Deputy Chief Internal Auditor)
Wards	All Wards
Classification	For Information

Background

1. The attached reports (Audit Plans) set out the work that the Councils' External Auditors, Grant Thornton, planned to undertake for the audit of the three legacy Councils' Statement of Accounts, in respect of 2018/19.
2. Whilst these Plans have all been previously agreed by respective legacy Councils' audit committees, Grant Thornton have specifically requested these Plans to be presented to BCP Audit & Governance Committee prior to them considering the Audit Findings Reports (next item on the agenda). The plans identify the significant balances and risks identified during their audit planning and sets out the work planned to address them. The Audit Findings Reports detail the external audit response and work undertaken to address those risks.
3. The External Auditors perform the audit of the financial statements in line with the Code of Practice issued by the National Audit Office (NAO) and International Standards on Auditing (UK).
4. The External Auditors give an opinion on whether the accounts give a true and fair view and whether the Councils have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources

Summary of Financial Implications

5. The fees for the External Audit programme of work are set out in each individual legacy Council's report which are attached as Appendices.

Summary of Legal Implications

6. There are no direct legal implications from this report.

Summary of Human Resource Implications

7. There are no direct human resource implications from this report

Summary of Environmental Impact

8. There are no direct environmental implications from this report

Summary of Public Health Implications

9. There are no direct public health implications from this report

Summary of Equality Implications

10. There are no direct equalities implications from this report

Summary of Risk Assessment

11. There are no direct risk implications from this report.

Background Papers

None

Appendices

Appendix A - BBC Grant Thornton External Audit Plan Year Ending 31 March 2019

Appendix B - CBC Grant Thornton External Audit Plan Year Ending 31 March 2019

Appendix C - BoP Grant Thornton External Audit Plan Year Ending 31 March 2019

This page is intentionally left blank

External Audit Plan

Year ending 31 March 2019

Bournemouth Borough Council

December 2018

6



Contents



Your key Grant Thornton team members are:

Paul Dossett

Partner

T: 020 7728 3180

E: paul.dossett@uk.gt.com

Sam Harding

Senior Audit Manager

T: 0117 305 7874

E: sam.g.harding@uk.gt.com

Nicky Norris

Audit Executive

T: 0117 305 7892

E: nicky.h.norris@uk.gt.com

Section

1. Introduction & headlines
2. Key matters impacting our audit approach
3. Group audit scope and risk assessment
4. Significant risks identified
5. Other matters
6. Materiality
9. Value for Money arrangements
10. Audit logistics, team & fees
11. Audit approach
12. Independence & non-audit services

Page

- 3
- 4
- 5
- 6
- 9
- 10
- 11
- 13
- 14
- 15

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Bournemouth Borough Council ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Bournemouth Borough Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Governance Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

Group Accounts

The Authority is required to prepare group financial statements that consolidate the financial information of Bournemouth Development Company LLP, Seascope Homes and Property Ltd, Seascope South Ltd, Seascope Group Ltd, Bournemouth Building and Maintenance, Tricuro Ltd, the Russell Cotes Art Gallery and Museum Charitable Trust, the Lower Gardens Charitable Trust and the Five Parks Charitable Trust.

115

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Valuation of property assets
- Valuation of the pension liability
- Management override of controls

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £9.3m (PY £9.3m) for the group and £9m (PY £9m) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £450k (PY £450k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risk:

- Financial outturn and sustainability

Audit logistics

Our interim visits will take place in January and April and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be £88,796 (PY: £115,320) for the Authority, subject to the Authority meeting our requirements set out on page 14.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Key matters impacting our audit approach

External Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents.

The Authority set a balanced budget for 2018/19 which was challenging and its achievement relies on service savings, efficiencies and income generation of £10m being delivered. The latest budget monitoring report shows a balanced position being achieved, but there are a number of areas forecasting an adverse position.

At the time of setting the budget, the Medium Term Financial Plan identified a funding gap in respect of the services delivered by Bournemouth Borough Council of £12.4m over the next two years. Responsibility for services and financial management will pass to the new Bournemouth, Christchurch and Poole Council on 1 April 2019.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

We do not anticipate any material impact from the adoption of these accounting standards.

Implications of Brexit

The UK is expected to leave the European union on 29 March 2019 (Brexit). The arrangements for the UK following our withdrawal are not yet clear. There is a risk that many aspects of life will be affected by Brexit and the uncertainty it is causing. There may be implications for financial planning for the BCP Council resulting from this uncertainty including an impact on the value of the Authority's assets post 31 March 2019.

Internal Factors

Local Government Reorganisation in Dorset

On 23 May 18, the Parliamentary process to create two new councils in Dorset concluded with the legislation being passed in both Houses of Parliament. The two new councils for Dorset, one serving the Dorset Area and one serving the Bournemouth, Christchurch and Poole Area will now start to be formed. The current nine councils will cease to exist on 31 March 2019, with the two new councils vesting on 1 April 2019. As part of the processes of bringing together the three Councils, management is reviewing accounting policies and practices to align them across the three bodies.

Our response

We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.

We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.

We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

We will review the Authority's consideration of the risks of Brexit on the delivery of services and asset values as part of our audit procedures

We will have regular dialogue with finance officers and consider the impact of any proposed changes on our audit strategy. We will ensure that any proposed changes are considered early to minimise impact on the year end audit process.

The financial statements and Annual Governance Statement will be approved after Bournemouth Borough Council has ceased, responsibility for approval of the statements rests with the Bournemouth, Christchurch and Poole Council. We will review the processes being put in place to ensure a smooth handover of responsibilities to the new Authority.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
Council	Yes		<ul style="list-style-type: none"> See pages 7 to 9 	Full scope UK statutory audit performed by Grant Thornton UK LLP.
Bournemouth Development Company LLP	No		<ul style="list-style-type: none"> None 	Analytical review performed by Grant Thornton UK LLP
Tricuro Ltd	No		<ul style="list-style-type: none"> None 	Analytical review performed by Grant Thornton UK LLP.
The Russell Cotes Art Gallery and Museum Charitable Trust	No		<ul style="list-style-type: none"> Valuation of land and buildings (Annual revaluation) 	Analytical review performed by Grant Thornton UK LLP.
The Five Parks Charitable Trust	No		<ul style="list-style-type: none"> None 	Analytical review performed by Grant Thornton UK LLP.
The Lower Gardens Charitable Trust	No		<ul style="list-style-type: none"> None 	Analytical review performed by Grant Thornton UK LLP.
Seascape Group Ltd	No		<ul style="list-style-type: none"> None 	Analytical review performed by Grant Thornton UK LLP.
Seascape Homes and Property Ltd	No		<ul style="list-style-type: none"> None 	Analytical review performed by Grant Thornton UK LLP.
Seascape South Ltd	No		<ul style="list-style-type: none"> None 	Analytical review performed by Grant Thornton UK LLP.
Bournemouth Building and Maintenance Ltd	No		<ul style="list-style-type: none"> None 	Analytical review performed by Grant Thornton UK LLP.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The revenue cycle includes fraudulent transactions (rebutted)</p>	<p>Authority</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA (UK) 240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Bournemouth Borough Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Bournemouth Borough Council.</p>	
<p>Management over-ride of controls</p>	<p>Authority</p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings (Rolling revaluation)	Authority	<p>The Authority revalues its land and buildings on a rolling five-yearly basis, engaging the services of both internal and external valuation experts. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£570 million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • discuss with or write to the relevant valuer to confirm the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test revaluations made during the year to see if they had been input correctly into the Authority's asset register; • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end; • consider the impact of Brexit on asset values.
Valuation of land and buildings (Annual revaluation)	Authority and Group	<p>The Authority revalues its council houses on an annual basis to ensure that the carrying value is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£392 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2019.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuations were carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register; • consider the impact of Brexit on asset values.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Authority	<p>The pension fund net liability, as reflected in the Authority balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£359 million in the group's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's and group's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Dorset Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements; • Consider the impact of Brexit on pension fund liabilities.

120

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
 - application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

121

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the group's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

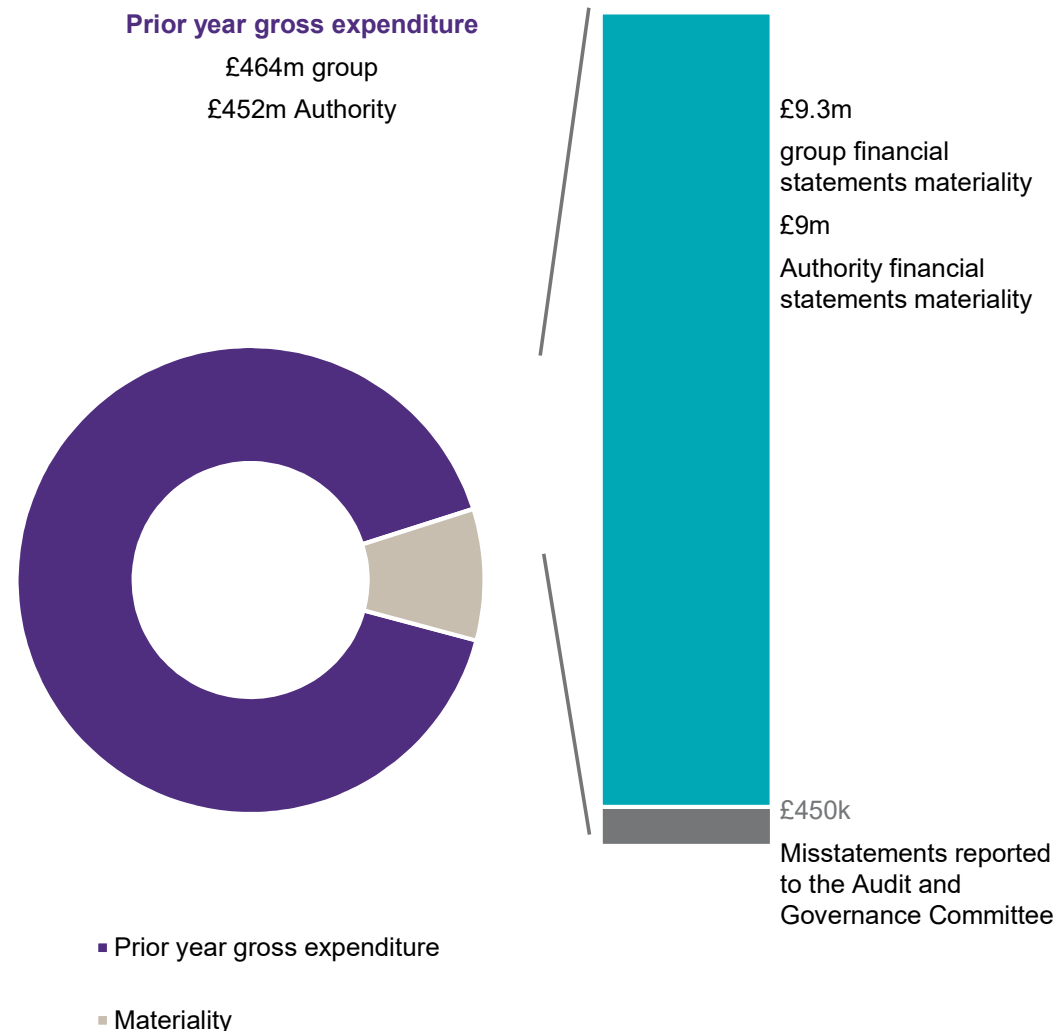
We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £9.3m (PY £9.3m) for the group and £9m (PY £9m) for the Authority, which equates to 2% of your prior year gross expenditure.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit and Governance 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 and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) '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) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £450k.

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 and Governance Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

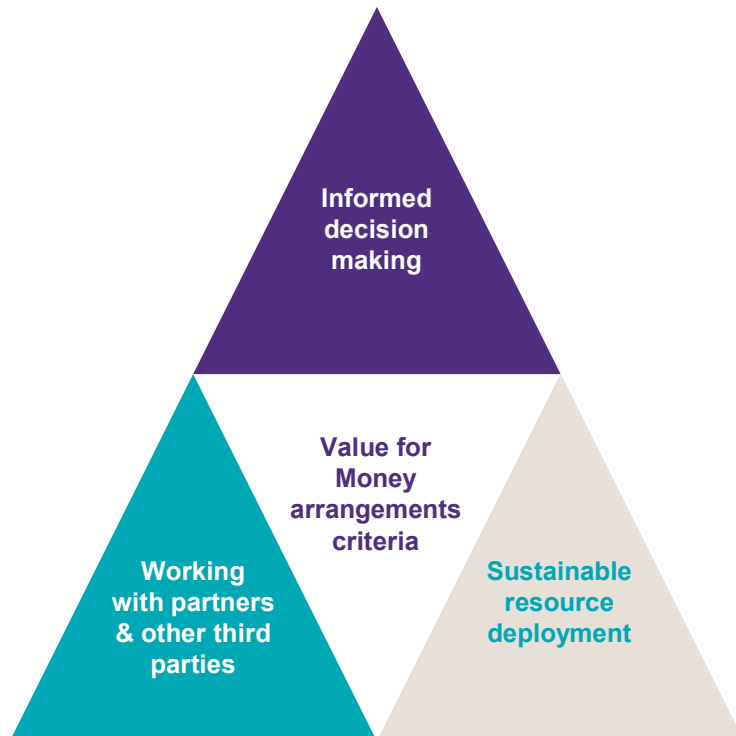
“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:

Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.

123



Value for Money arrangements



Financial outturn and sustainability

The Authority has historically performed well at managing its financial position although reductions in funding and increasing demand for services has made this increasingly challenging.

The Authority set a balanced budget in February 2018. Increased demand necessitated an increase in funding for adult social care of £3.5 million and achieving the balanced budget is dependent on delivering savings and efficiencies of £10 million during the year. The latest budget monitoring report is forecasting a balanced position at (as at the end of September 2018) although there are a number of services reporting an averse position.

In formulating the medium term financial plan, The Authority has identified a cumulative funding gap of £12.4 million to 2020/21. The Authority has raised base council tax by 2.99% and implemented the second year of the social care precept of 3% in order to provide a firm base for the future when services transfer to the new Bournemouth, Christchurch and Poole Council on 1 April 2019.

We will review the Authority's arrangements for delivering its budget including the arrangements for monitoring and reporting delivery of savings plans for 2018/19. We will also consider the financial impact of LGR in Dorset and any financial issues arising from Brexit.



Asset Investment strategy

Local authorities have changed their approach to managing reductions in income, shifting away from reducing spending on services to looking for other savings and sources of income. Bournemouth continues to place a strong emphasis on development through both its updated Asset Investment Strategy (BAIS), to develop alternative sources of income to offset reductions in funding and increasing demand for services and in partnership with the private sector through the Bournemouth Development Company LLP (BDC), to regenerate and improve the town centre environment.

During 2018/19, the Authority is continuing to expand its investment in this area. We will review how the Authority is implementing its BAIS to generate income and revitalise the local economy, assessing whether the Council continues to put appropriate measures in place to monitor the progress made.

In October 2018, CIPFA Chief Executive and the Chair of the CIPFA Treasury and Capital Management Panel issued a statement highlighting concerns that where the scale of commercial investments including property is not proportionate to the resources of the authority that is unlikely to be consistent with the requirements of the Prudential Code and the Treasury Management Code. We will review the Authority's arrangements to ensure requirement with the Code and any revised guidance issued.

Audit logistics, team & fees



Paul Dossett, Engagement Lead

Relationship partner for the council and leads the work performed on the audit. Signs the audit opinion and holds regular meetings with senior managers.



Sam Harding, Senior Audit Manager

Responsible for the overall management of the audit; consideration of VFM work; quality assurance of audit work and outputs



Nicky Norris, Audit Executive

Performs main detailed work on the audit on a day to day basis. Manages the audit team and first point of contact for the Authority's finance staff.

Audit fees

The planned audit fees are £88,796 (PY: £115,320) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA. In setting your fee, we have assumed that the scope of the audit, and the Authority and its activities, do not significantly change.

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

The Authority managed the earlier production of the accounts well, in addition to the alignment of the accounts production with that of Borough of Poole as part of the joint working arrangements between the two authorities. Finance staff were supportive and responsive in providing explanations and working papers to support our audit work. Our audit procedures were completed in good time and we were able to give our opinion on the financial statements and our value for money conclusion by the 31 July deadline.

As last year a successful outcome is a collaborative process and we will work with the finance team to ensure that the deadline is met in the current year, including carrying out as much early testing as possible, having early discussions on our working paper requirements and agreeing any changes in accounting policies and other issues arising in advance of the year end.

Audit approach

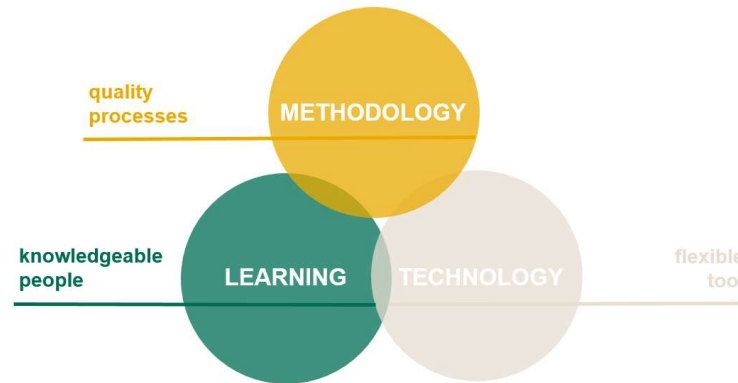
Use of audit, data interrogation and analytics software

LEAP



Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



Info



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons

126

IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

Appian



Business process management

- Clear timeline for account review:
 - disclosure dealing
 - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified.

127

Service	£	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant	3,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,000 in comparison to the total fee for the audit of £88,796 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Teachers pension grant	3,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,000 in comparison to the total fee for the audit of £88,796 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Subsidy	14,000 plus £650 per diem rate for additional work if required.	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £14,000 in comparison to the total fee for the audit of £88,796 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Objection to the 2017/18 accounts	TBC	None identified	

Independence & non-audit services

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Chief Financial Officer. Any changes and full details of all fees charged by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.



© 2018 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank

External Audit Plan

Year ending 31 March 2019

Christchurch Borough Council

February 2019



Contents



Your key Grant Thornton
team members are:

Alex Walling

Associate Director

T: 0117 305 7804

E: alex.j.walling@uk.gt.com

Samantha Harding

Senior Manager

T: 0117 305 7874

E: sam.g.harding@uk.gt.com

Nicky Norris

Audit Executive

T: 0117 305 7892

E: ricky.h.norris@uk.gt.com

Section

1. Introduction & headlines
2. Key matters impacting our audit
3. Significant risks identified
4. Other matters
5. Materiality
8. Value for Money arrangements
9. Audit logistics, team & fees
10. Early Close
11. Independence & non-audit services

Page

- 3
- 4
- 5
- 8
- 9
- 10
- 11
- 12
- 13

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Christchurch Borough Council ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Christchurch Borough Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Governance Committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based. We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation.

Significant risks	Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as: <ul style="list-style-type: none">• property valuations• pension liability We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.
Materiality	We have determined planning materiality to be £617,000 (PY £617,000) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £30,000 (PY £30,000).
Value for Money arrangements	Our risk assessment regarding your arrangements to secure value for money has not identified any VFM significant risks.
Audit logistics	Our interim visit will take place in March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our fee for the audit will be £32,516 (PY: £42,228) for the Authority, subject to the Authority meeting our requirements set out on page 12.
Independence	We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

133

Key matters impacting our audit

Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. The Authority set a balanced budget in February 2018, and at month 6 is reporting a surplus against this budget of £97,000. The Council budget for 2018/19 includes £487,000 of headroom and the forecast surplus will increase this meaning a net contribution to reserves of £584,000 is now projected at the year end.

Responsibility for services and financial management will pass to the new Bournemouth, Christchurch and Poole Council (BCP) on 1 April 2019.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. There may be implications for financial planning for the BCP Council resulting from this uncertainty including an impact on the value of the Authority's assets post 31 March 2019.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

We do not anticipate that these changes will have a significant impact on Christchurch Borough Council.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Christchurch Borough Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Christchurch Borough Council.</p>	<p>As part of our planning procedures we have been able to rebut this risk. We will, however, review this when the draft financial statements have been received.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how performance is reported.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified – PPE

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>The Authority revalues its land and buildings, on a rolling five-yearly basis. The valuation date is 1 April. In addition to this rolling programme, the Authority reviews all its assets on a 2-3 year basis where an annual review is not required to provide further assurance. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£60 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Authority’s financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date where a rolling programme is used and where valuations are carried out at the 1 April 2018.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • discuss with the valuer the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test revaluations made during the year to see if they had been input correctly into the Authority's asset register; • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end; and • consider the impact of Brexit on asset values.

Significant risks identified - Pensions

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£27 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • obtain an understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; • obtain assurances from the auditor of Dorset County Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements; and • consider the impact of Brexit on pension fund liabilities.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
 - application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

138

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Authority's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

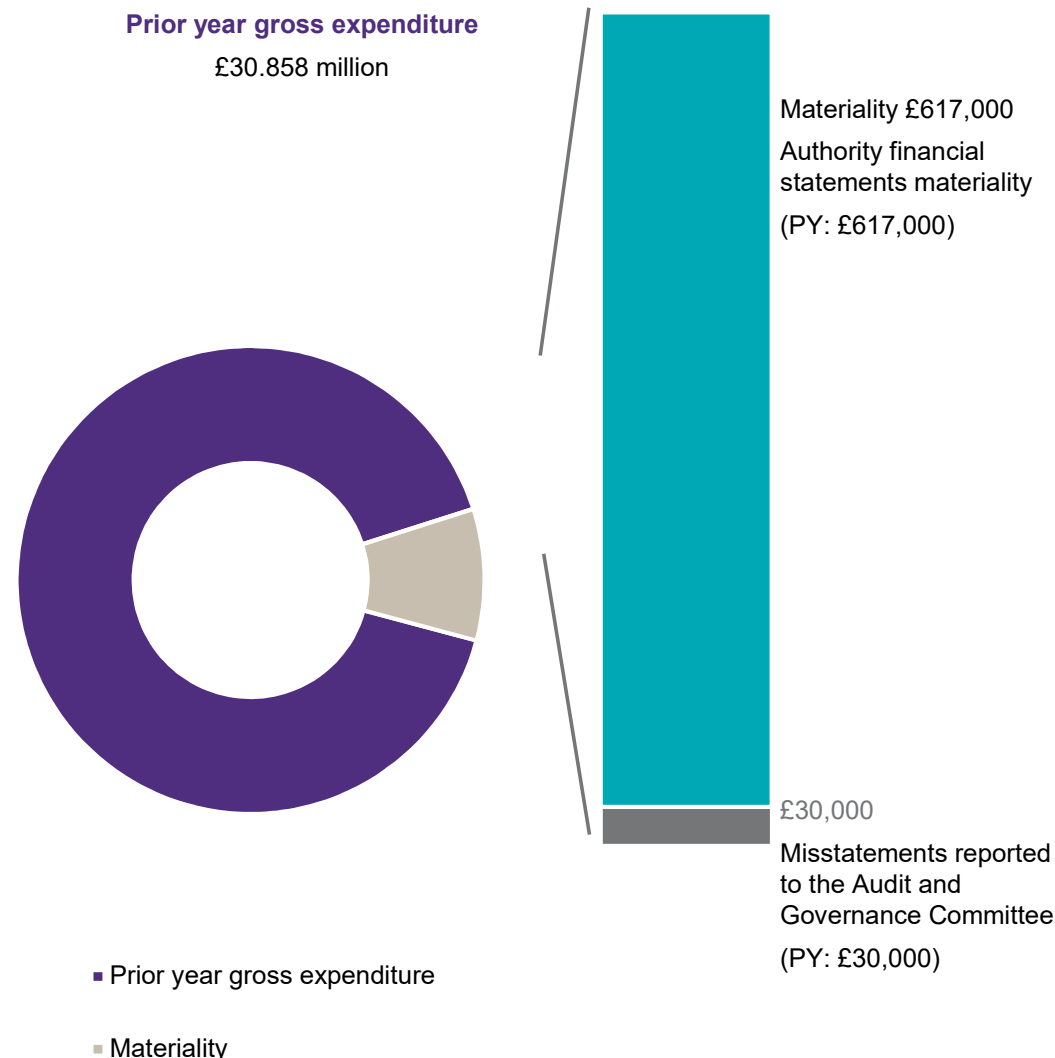
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £617,000 (PY £617,000), which equates to 2% of your prior year gross expenditure.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report 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 unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) '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) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. 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 £30,000 (PY £30,000).

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 and Governance Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

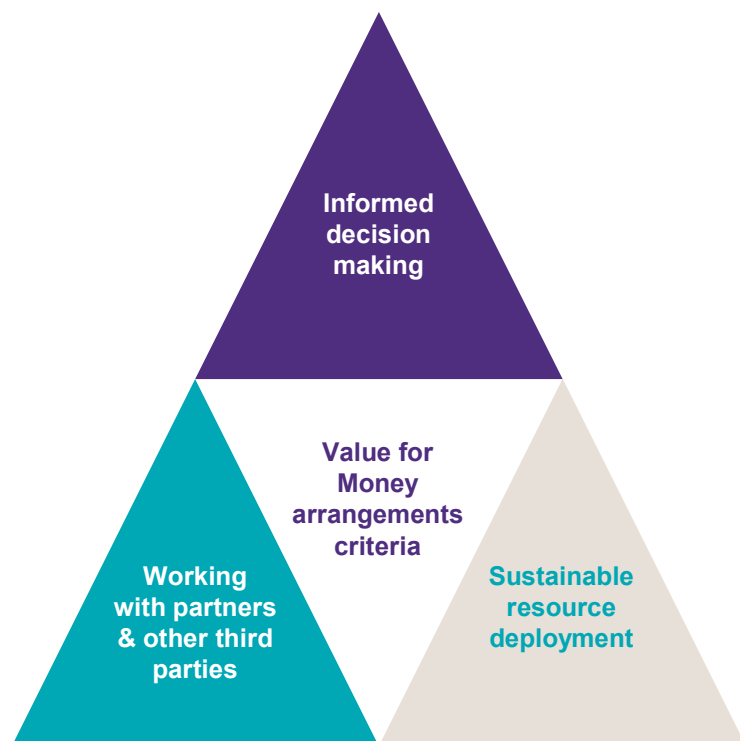
This is supported by three sub-criteria, as set out below:

Significant VFM risks

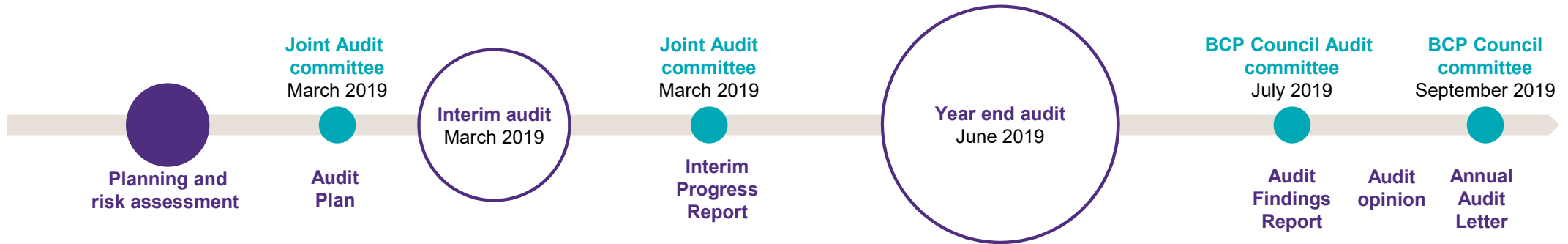
Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.

We have not identified any significant risks from our initial risk assessment. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

140



Audit logistics, team & fees



Alex Walling, Engagement Lead

Relationship partner for the Authority and leads the work performed on the audit. Signs the audit opinion and holds regular meetings with senior managers.



Samantha Harding, Audit Manager

Responsible for the overall management of the audit; consideration of VFM work; quality assurance of audit work and outputs



Nicky Norris, Audit Incharge

Performs main detailed work on the audit on a day to day basis. Manages the audit team and first point of contact for the Authority's finance staff.

Audit fees

The planned audit fees are £32,516 (PY: £42,281) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA. £9,750 of basic fees are planned for the housing benefit certification work for 2018/19, which constitutes non Code work. In setting your fee, we have assumed that the scope of the audit, and the Authority and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 11). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified services were identified.

Service	£	Threats	Safeguards
Audit related			
Certification of Housing Benefit	9,750	Self-Interest (because this is potentially a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £9,750 in comparison to the total fee for the audit of £32,516 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.



© 2019 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

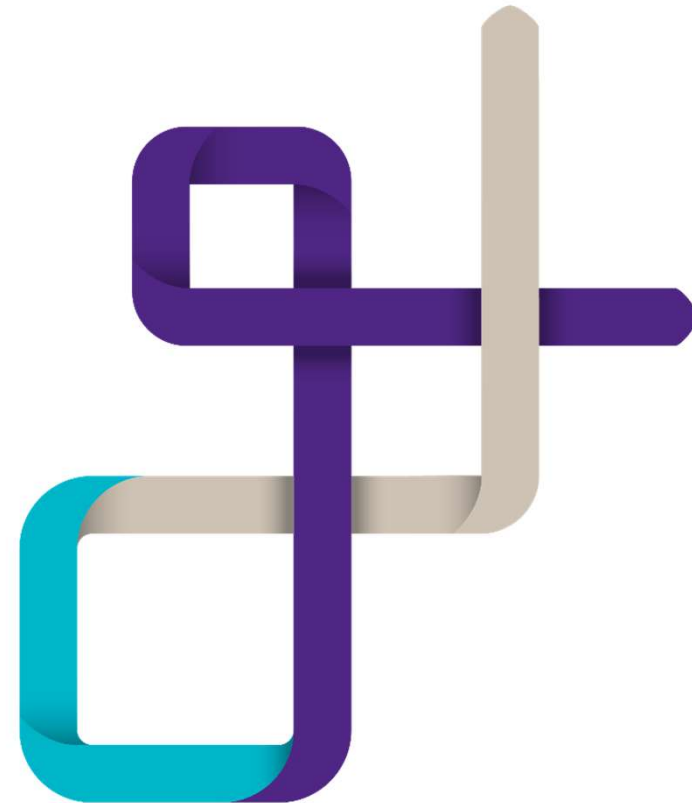
External Audit Plan

Year ending 31 March 2019

Borough of Poole

December 2018

15



Contents



Your key Grant Thornton team members are:

Paul Dossett

Partner

T: 020 7728 3180

E: paul.dossett@uk.gt.com

Sam Harding

Senior Audit Manager

T: 0117 305 7874

E: sam.g.harding@uk.gt.com

Nicky Norris

Audit Executive

T: 0117 305 7892

E: nicky.h.norris@uk.gt.com

Section

1. Introduction & headlines
2. Key matters impacting our audit approach
3. Group audit scope and risk assessment
4. Significant risks identified
5. Other matters
6. Materiality
9. Value for Money arrangements
10. Audit logistics, team & fees
11. Audit Approach
12. Independence & non-audit services

Page

- 3
- 4
- 5
- 6
- 9
- 10
- 11
- 12
- 13
- 14

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Borough of Poole ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Borough of Poole. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Authority and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

Group Accounts	The Authority is required to prepare group financial statements that consolidate the financial information of Poole Housing Partnership Limited and Tricuro Limited.
Significant risks	<p>Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:</p> <ul style="list-style-type: none">• Valuation of property assets• Valuation of the pension liability• Management override of controls <p>We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.</p>
Materiality	We have determined planning materiality to be £5.873m (PY £6m) for the group and £5.860m (PY £5.9m) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £292k (PY £292k).
Value for Money arrangements	<p>Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risk:</p> <ul style="list-style-type: none">• Financial outturn and sustainability
Audit logistics	<p>Our interim visits will take place in January and April and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report.</p> <p>Our fee for the audit will be £72,344 (PY: £93,953) for the Authority, subject to the Authority meeting our requirements set out on page 14.</p>
Independence	We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Key matters impacting our audit approach

External Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. Borough of Poole has historically managed these pressures well. The Authority has set a balanced budget for 2018/19. Budget monitoring to the end of September, is reporting a balanced outturn for the year, after contributing £0.5 million to a reserve to support the reorganisation.

At the time of setting the budget, the Medium Term Financial Plan identified a funding gap in respect of the services delivered by the Borough of Poole of £6.6m over the next two years.

Responsibility for services and financial management will pass to the new Bournemouth, Christchurch and Poole Council (BCP) on 1 April 2019.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

We do not anticipate any material impact from the adoption of these accounting standards.

Internal Factors

Local Government Reorganisation in Dorset

On 23 May 18, the Parliamentary process to create two new councils in Dorset concluded with the legislation being passed in both Houses of Parliament. The two new councils for Dorset, one serving the Dorset Area and one serving the Bournemouth, Christchurch and Poole Area will now start to be formed. The current nine councils will cease to exist on 31 March 2019, with the two new councils vesting on 1 April 2019. As part of the processes of bringing together the three Councils, management is reviewing accounting policies and practices to align them across the three bodies.

Implications of Brexit

The UK is expected to leave the European union on 29 March 2019 (Brexit). The arrangements for the UK following our withdrawal are not yet clear. There is a risk that many aspects of life will be affected by Brexit and the uncertainty it is causing. There may be implications for financial planning for the BCP Council resulting from this uncertainty including an impact on the value of the Authority's assets post 31 March 2019.

Our response

We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.

We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.

We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

We will review the Authority's consideration of the risks of Brexit on its services and asset values as part of our audit procedures

We will have regular dialogue with finance officers and consider the impact of any proposed changes on our audit strategy. We will ensure that any proposed changes are considered early to minimise impact on the year end audit process.

The financial statements and Annual Governance Statement will be approved after the Borough of Poole has ceased, responsibility for approval of the statements rests with the Bournemouth, Christchurch and Poole Council. We will review the processes being put in place to ensure a smooth handover of responsibilities to the new Authority.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
Borough of Poole	Yes		<ul style="list-style-type: none"> See pages 7 to 9 	Full scope UK statutory audit performed by Grant Thornton UK LLP.
Poole Housing Partnership Ltd	No		<ul style="list-style-type: none"> Pension liability 	Audit of the pensions liability to be performed by Grant Thornton UK LLP.
Tricuro Ltd	No		<ul style="list-style-type: none"> None 	Analytical review performed by Grant Thornton UK LLP.

149

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (rebutted)	Authority	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA (UK) 240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Borough of Poole, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Borough of Poole.</p>	
Management over-ride of controls	Authority	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

150

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings (Rolling revaluation)	Authority	<p>The Authority revalues its land and buildings on a rolling five-yearly basis, engaging the services of both internal and external valuation experts. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£363 million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • discuss with or write to the relevant valuer to confirm the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test revaluations made during the year to see if they had been input correctly into the Authority's asset register; • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end; • consider the impact of Brexit on asset values.
Valuation of land and buildings (Annual revaluation)	Authority	<p>The Authority revalues its council houses on an annual basis to ensure that the carrying value is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£267 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2019.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuations were carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register; • consider the impact of Brexit on asset values.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Group and Authority	<p>The pension fund net liability, as reflected in the Authority and group balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£278 million in the group's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the group's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's and group's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Dorset Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements; • consider the impact of Brexit on pension fund liabilities.

152

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
 - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
 - application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

153

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the group's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

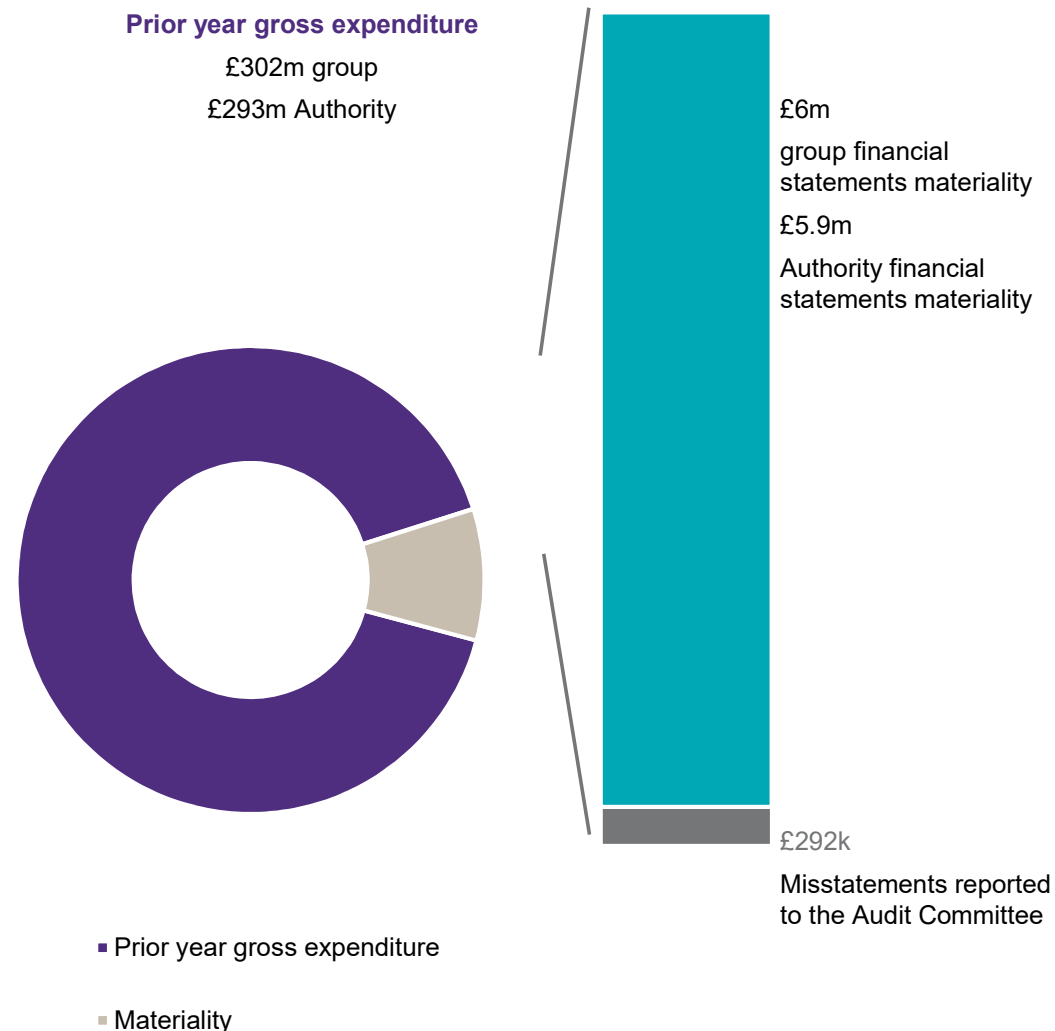
We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £5.873m (PY £6m) for the group and £5.860m (PY £5.9m) for the Authority, which equates to 2% of your prior year gross expenditure.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report 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 unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) '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) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £292k.

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.



Value for Money arrangements

Background to our VFM approach

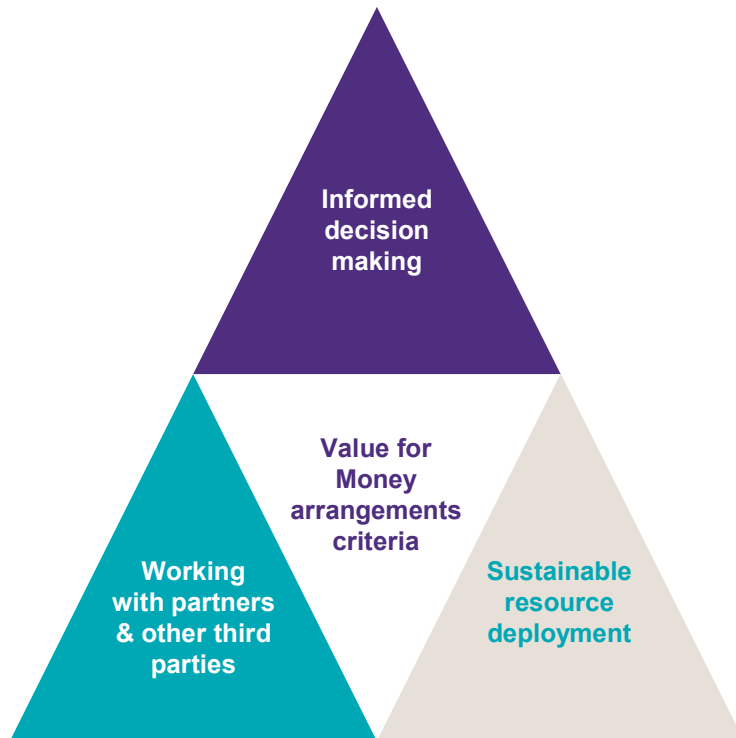
The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:

155



Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



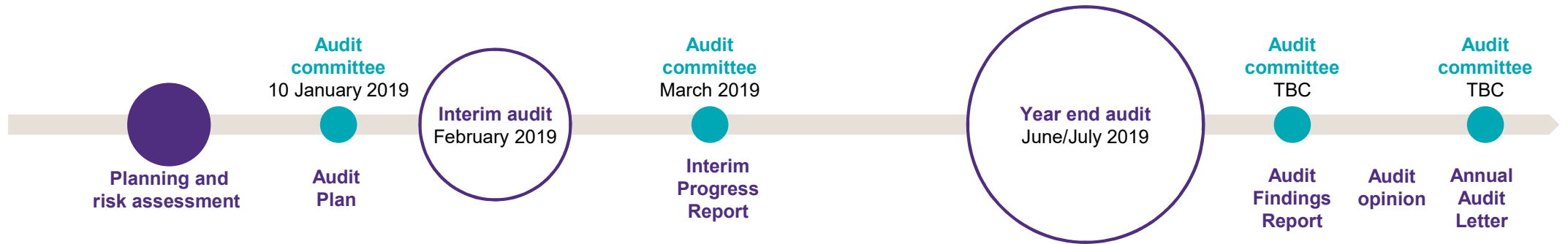
Financial outturn and sustainability

The Authority has historically performed well at managing its financial position despite ongoing reductions in Government funding and an increased demand for services. The Authority is currently reporting a balanced position (as at the end of September 2018) for 2018/19 and has been able to make an increased contribution to reserves earmarked to support transformation.

Demand and the associated costs continue to grow for services for vulnerable older people and vulnerable children, the Authority has identified a cumulative funding gap of £6.6 million to 2020/21 in its medium term financial plan. The Authority has raised base council tax by 2.99% and implemented the second year of the social care precept of 3% in order to provide a firm base for the future when services transfer to the new Bournemouth, Christchurch and Poole Council on 1 April 2019.

We will review the Authority's arrangements for delivering its budget including the arrangements for monitoring and reporting delivery of savings plans for 2018/19. We will also consider the financial impact of LGR in Dorset and any financial issues arising from Brexit.

Audit logistics, team & fees



Paul Dossett, Engagement Lead

Relationship partner for the council and leads the work performed on the audit. Signs the audit opinion and holds regular meetings with senior managers.



Sam Harding, Senior Audit Manager

Responsible for the overall management of the audit; consideration of VFM work; quality assurance of audit work and outputs



Nicky Norris, Audit Executive

Performs main detailed work on the audit on a day to day basis. Manages the audit team and first point of contact for the Authority's finance staff.

Audit fees

The planned audit fees are £72,344 (PY: £93,953) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA. In setting your fee, we have assumed that the scope of the audit, and the Authority and its activities, do not significantly change.

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

The Authority managed the earlier production of the accounts well, in addition to the alignment of the accounts production with that of Bournemouth Borough Council as part of the joint working arrangements between the two authorities. Finance staff were supportive and responsive in providing explanations and working papers to support our audit work. Our audit procedures were completed in good time and we were able to give our opinion on the financial statements and our value for money conclusion by the 31 July deadline.

As last year a successful outcome is a collaborative process and we will work with the finance team to ensure that the deadline is met in the current year, including carrying out as much early testing as possible, having early discussions on our working paper requirements and agreeing any changes in accounting policies and other issues arising in advance of the year end.

Audit approach

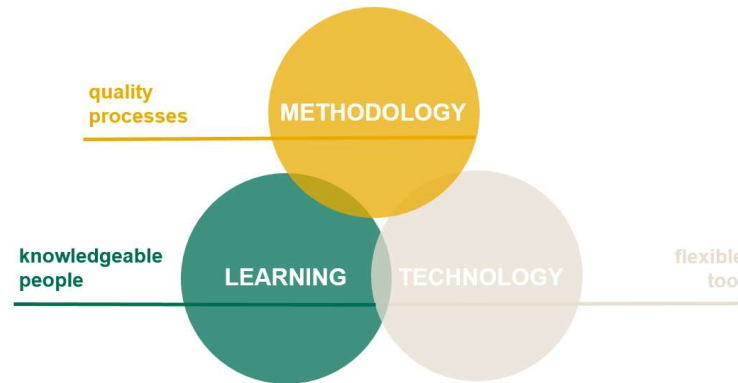
Use of audit, data interrogation and analytics software

LEAP



Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



Info



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance



INSIGHTS

- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons

157

IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively

Appian



Business process management

- Clear timeline for account review:
 - disclosure dealing
 - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified.

158

Service	£	Threats	Safeguards
Audit related			
Certification of Housing capital receipts grant	3,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,000 in comparison to the total fee for the audit of £72,344 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Teachers pension grant	3,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,000 in comparison to the total fee for the audit of £72,344 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Subsidy	14,000 plus £650 per diem rate for additional work if required.	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £14,000 in comparison to the total fee for the audit of £72,344 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.

Independence & non-audit services

Service	£	Threats	Safeguards
Non-audit related			
CFO Insights	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,000 in comparison to the total fee for the audit of £72,344 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

159

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Chief Financial Officer. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.



© 2018 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.



AUDIT AND GOVERNANCE COMMITTEE

Report subject	External Audit - Audit Findings Reports 2018/19 for the three legacy Councils (Bournemouth, Christchurch and Poole Councils)
Meeting date	25 July 2019
Status	Public Report
Executive Summary	<p>The attached reports set out the findings of the Councils' external auditor following their audit of the three legacy Councils' Statement of Accounts 2018/2019. The key points to note are:</p> <ul style="list-style-type: none"> • Grant Thornton anticipate providing an unqualified opinion on the financial statements for each of the three legacy Councils; and that • Grant Thornton were satisfied that, in all significant respects, the three legacy Councils had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources (unqualified VFM conclusion).
Recommendation(s)	<p>It is RECOMMENDED that:</p> <p>The Audit & Governance Committee notes the audit opinion and findings of the Councils' external auditor following their audit of the three legacy Councils' statement of accounts 2018/19.</p>
Reason for recommendation(s)	<p>To ensure that the Audit & Governance Committee are fully informed of the audit opinion and findings of the Councils' external auditor following their audit of the three legacy Councils' financial statements for the year ended 31 March 2019, as set out in the reports attached.</p>

Portfolio Holder(s):	Councillor Vikki Slade (Leader of the Council)
Corporate Director	Julian Osgathorpe (Corporate Director Resources)
Contributors	Nigel Stannard (Head of Audit & Management Assurance) Simon Milne (Deputy Chief Internal Auditor) Dan Povey (Assistant Chief Finance Officer)
Wards	All Wards
Classification	For Information

Background

1. Under the National Audit Office's (NAO's) Code of Audit Practice and Auditor Guidance Note, the external auditor is required to report whether, in their opinion, the Council's financial statements present a true and fair view of the Council's financial position. In addition, the external auditor is required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).
2. This report sets out the findings of the Councils' external auditor following their audit of the three legacy Councils' Statement of Accounts 2018/2019.

Audit Findings Reports

3. The attached reports (Appendix A, B & C) highlights the key matters arising from the audit of the three legacy Councils' financial statements for the year ended 31 March 2019.
4. The following key issues from the reports are noted:
 - Grant Thornton anticipate providing an unqualified opinion on the financial statements for each of the three legacy Councils; and that
 - Grant Thornton were satisfied that, in all significant respects, the three legacy Councils had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources (unqualified VFM conclusion).
5. All three sets of legacy financial statements required restating after their certification by the Chief Finance Officer on 31 May due to a national issue that arose after this date. The Government was refused right to appeal against a landmark ruling by the Court of Appeal with regard to age discrimination against younger public sector workers by protecting the retirement benefits of older staff (referred to as the McCloud case). While the case was brought by members of the judicial and firefighters pension schemes, it will have implications for the Local Government Pension Scheme (LGPS). Officers have agreed with the external auditors the restatements required to account for the estimated additional pension liability that arises from this ruling and the adjustments are contained within the financial statements provided for approval.

Summary of Financial Implications

6. The Audit Fee for the work carried out by Grant Thornton has been reported previously to the three legacy Audit Committees.

Summary of Legal Implications

7. There are no direct legal implications from this report.

Summary of Human Resource Implications

8. There are no direct human resource implications from this report

Summary of Environmental Impact

9. There are no direct environmental implications from this report

Summary of Public Health Implications

10. There are no direct public health implications from this report

Summary of Equality Implications

11. There are no direct equalities implications from this report

Summary of Risk Assessment

12. The areas identified for development by the Councils' external auditor will be fully discussed during the risk management review process and appropriate mitigations will be discussed with the Corporate Management Team.

Background Papers

None

Appendices

Appendix A - BBC Grant Thornton Audit Findings Report for year ending 31/3/19 (TO FOLLOW)

Appendix B - CBC Grant Thornton Audit Findings Report for year ending 31/3/19 (TO FOLLOW)

Appendix C - BoP Grant Thornton Audit Findings Report for year ending 31/3/19 (TO FOLLOW)

This page is intentionally left blank



AUDIT AND GOVERNANCE COMMITTEE

Report subject	Statement of Accounts 2018/19
Meeting date	25 July 2019
Status	Public Report
Executive summary	<p>This report presents the 2018/19 Statement of Accounts for each of the three predecessor councils, Bournemouth, Christchurch and Poole.</p> <p>Each of the Statement of Accounts has been prepared in accordance with the CIPFA Local Authority Accounting Code of Practice, and presents a True and Fair view of the relevant authority's financial performance for 2018/19 and financial position as at 31 March 2019.</p> <p>This report explains any key changes, highlights any significant issues, and provides an opportunity for robust Member scrutiny prior to their formal approval.</p>
Recommendations	<p>It is RECOMMENDED that the Audit and Governance Committee:</p> <p>(a) Consider and accept the 2018/19 Statement of Accounts of;</p> <ul style="list-style-type: none"> ○ Bournemouth Borough Council ○ Christchurch Borough Council ○ Borough of Poole <p>(b) Agree the Chair of the Audit and Governance Committee signs the Statement of Responsibilities included in the Statement of Accounts and the Letter of Representation on behalf of the Committee</p>
Reason for recommendations	<p>The Accounts and Audit Regulations 2015 require that Local Authorities approve their financial statements by 31 July. The External Auditor must complete the audit and issue their opinion to ensure the statutory deadline is met.</p>

Portfolio Holder(s):	Councillor David Brown (Portfolio Holder for Finance)
Corporate Director	Julian Osgathorpe (Corporate Director Resources)
Contributors	Adam Richens (Chief Finance Officer and Director of Finance) Dan Povey (Acting Assistant Chief Finance Officer) Matthew Filmer (Finance Manager)
Wards	All Wards
Classification	For Decision

Background

1. The presentation of the annual accounts for each of the predecessor councils closes their financial management cycles for 2018/19 and initiates the start of the next financial cycle with the rolling forward and review of the BCP Medium Term Financial Plan (MTFP).
2. This report presents a summary position for each predecessor council. The appendices to this report contain the annual accounts for each of the relevant authorities.

Roles and Responsibilities

3. To comply with the Accounts and Audit (England) Regulations 2015;
 - a) the Chief Finance Officer (CFO) certified, as required under Regulation 9, that the 2018/19 Statement of Accounts presented a true and fair view of each of the predecessor Authority's financial position by 31 May 2019. The CFO is required under the same regulation to re-certify the presentation of the Statement of Accounts before the Audit & Governance Committee approves it.
 - b) Audit & Governance Committee are responsible for approving and issuing the Council's Statement of Accounts. The Committee also play a key role in ensuring accountability and that value for money is demonstrated to the public.
 - c) Consequently, the role of the Audit & Governance Committee is to consider and accept the audited Statement of Accounts for 2018/19, including the Annual Governance Statement, and agree that the Chair can sign and date the document by 31 July.
 - d) The Council is also required to publish its Statement of Accounts, with the accompanying Audit opinion, by the 31 July.
 - e) It is also a requirement that Grant Thornton is supplied with a 'Letter of Representation' from the Council and this is signed at this Committee by the Council's Chief Finance Officer and the Chair of the Audit & Governance Committee. This letter confirms that the Council has knowingly supplied all relevant information to Grant Thornton for them to complete their audit.

4. After certification by the Chief Finance Officer the Statement of Accounts and the supporting documentation was subjected to a detailed and comprehensive annual external audit, by Grant Thornton. This process is substantially complete and will be finished by the end of July 2019. The external auditor expects to give each of the predecessor Council's Statement of Accounts a clean, unqualified audit opinion.
5. The appendices to this report contain the audited Statement of Accounts for each legacy Council. The accounts have been amended from those originally approved by the Chief Finance Officer as a result of the audit findings.
6. A national issue has arisen since the Statement of Accounts were approved by the Chief Finance Officer in May. This relates to the Government's refusal of right to appeal against a landmark ruling by the Court of Appeal with regard to age discrimination against younger public sector workers by protecting the retirement benefits of older staff (referred to as the McCloud case). While the case was brought by members of the judicial and firefighters pension schemes, it will have implications for the Local Government Pension Scheme (LGPS). The remedy that will be imposed by the Court is not yet known but could increase the costs of the LGPS to employers. Officers have agreed with the external auditors the restatements required to account for the estimated additional pension liability that arises from this ruling and the adjustments are contained within the financial statements recommended for approval.
7. Due to the tight timetable for the external auditors to complete their review of the Statements of Account by the end of July, coupled with the earlier deadline for the production of the agenda for the Audit & Governance Committee, the figures quoted in the interpretation of the accounts section of this report are based on the Statements of Account as approved by the Chief Finance Officer at the end of May. They do not account for changes made as a result of the audit nor for the McCloud issue referred to above. The appendices to this report contain the final audited Statements of Account, and the Committee will be updated at the meeting as to what adjustments have been made.
8. The unqualified audit opinion is part of the Statement of Accounts, with further detail of the external auditor's audit findings provided in the Audit Findings Report to the Council as presented to this Committee and also on the agenda for this meeting.
9. The Annual Governance Statement that is appended to the Statement of Accounts is to be approved by the Leader of the Council and the Chief Executive at this Audit and Governance Committee.
10. In order to comply with the statutory approval date of the 31 July 2019, contained within the Accounts and Audit Regulations, it was requested that any detailed questions members may have regarding the Statement of Accounts of any of the predecessor authorities be submitted in writing/e-mail to the Chief Finance Officer by midday on the 22 July 2019 so that a full and comprehensive response could be given at the meeting and prior to the approval deadline.

Explanation of the Changes to the 2018/19 Statement of Accounts

11. There are some changes to the presentation of the Statement of Accounts for 2018/19. These can be summarised as follows;
 - a) Where possible taking the opportunity to create consistency in accounting policies which will be adopted by the new BCP Council.

- b) The implementation of IFRS (International Financial Reporting Standard) 15, Revenue Recognition, has required the Council to analyse the cash flows arising from contracts with service recipients. Revenue is recognised when goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. The new disclosure relating to this accounting standard can be found in the notes to the Financial Statements. Other than the revised disclosure note, the implementation of this IFRS has not had an impact on the financial reporting of the Councils.
- c) The implementation of IFRS 9, Financial Instruments, specifies how Councils should classify and measure financial assets and how potential credit losses should be measured and accounted for. Due to the type of financial assets that each predecessor Council held at 31 March 2019, the implementation of this IFRS has not had a significant impact on the Financial Statements, other than some additional disclosure in the Financial Instruments note.
- d) The analysis for the disclosure of debtors and creditors has changed from 2017/18. While previously balances were disclosed in the notes to the Financial Statements by type of entity, they are now disclosed by trade receivables or payables and other receivables and payables.

Interpretation of the Accounts – General

12. The Statement of Accounts comprise:

- A Narrative Report
- a Statement of Responsibilities for the Statement of Accounts
- the financial statements including the Comprehensive Income & Expenditure Statement, Movement in Reserves Statement, Balance Sheet and the Cash Flow Statement.
- notes to the accounts (including accounting policies and pensions disclosures)

13. A **Narrative Report** is produced as a concise and easily understandable guide to the most significant matters reported in the accounts. It provides an explanation in overall terms of the Council's financial position. It also provides a commentary on the major influences affecting the Authority's income and expenditure and cash flow, and information on the financial needs and resources of the authority. Any significant change in accounting policies or major changes in statutory functions are also included.

14. **Movement on Reserves Statement** shows the movement in the year in the different reserves held by the authority analysed into "usable reserves" that can be applied to fund expenditure or reduce local taxation and "unusable reserves". The surplus or deficit on the provision of services line reflects the economic cost of providing services shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax and dwelling rent setting purposes.

15. **Comprehensive Income and Expenditure Statement** brings together all of the Council's activities, showing the resources that it has generated, consumed or set aside in providing services for the year.

16. The **Balance Sheet** is fundamental to the understanding of an authority's financial position. It shows its balances and reserves and its long-term indebtedness, and the long term and net current assets employed in its operations, together with summarised information on the property, plant and equipment held.
17. The **Cash Flow statement** summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
18. The **Statement of Responsibilities** identifies the respective responsibilities of the Authority and the Head of Financial Services for the accounts.
19. The **notes to the financial statements** provide further explanation or disclosures in respect of certain items of income and expenditure, or reserves and balances, as defined by the Code. These include;
 - Expenditure and Funding Analysis – used to bring together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund and Housing Revenue Account.
 - Members Allowances
 - Employee Remuneration
 - Termination Benefits and Exit Packages
 - Retirement Benefits
 - Accounting Policies – used to explain the basis for recognition, measurement and disclosure of transactions and other events in the accounts.
 - Housing Revenue Account – A statutory account which independently records the costs of maintaining and managing the Council's own housing stock and how these costs are met by rent payers and other income.
 - Collection Fund – Shows the transactions of the Council as a charging authority in respect of the Council Tax and Business Rates income and its distribution to precepting authorities, the Government and the Council's General Fund.
 - Group Accounts –are produced in Bournemouth to include the many interests the Council has in other Companies and Charities. These Group Accounts therefore consolidate Bournemouth Borough Council's accounts with the entities where it has been determined that the Council has control and significant influence, these being the Lower Central Gardens Trust, Five Parks Charity, Russell Coates Art Gallery and Museum Charitable Trust, The Bournemouth Development Company, Bournemouth Building & Maintenance Limited, Seascope South Limited, Seascope Homes and Properties Limited and Bournemouth Group Limited.

In Poole the activities of Poole Housing Partnership are consolidated with those of the council as part of their Group Accounts.

The Group Accounts are made up of all four statements as per the Council's single entity accounts but shows the additional transactions, reserve movements and Balance Sheet items associated with the Council's share of the entities and as such the Group Account Statements show the financial position, total reserves, net worth and cash and cash equivalents of the

Council's group entity position after consolidation of the relevant share from each of the charities and subsidiary.

Interpretation of the Accounts – Bournemouth

20. Key features highlighted mentioned in the financial summary for Bournemouth are:

- **Revenue reserves increased by £5.6m.** This represents;
 - a) An increase of £449k in schools general balances to be utilised to finance their future activities.
 - b) £1.9m spent from the Capital Fund with an additional £2.5m of monies set aside within the earmarked reserves to further support capital spending.
 - c) £6.7m to support council services and specific projects.

21. The most noteworthy points to highlight within the Bournemouth net assets increase of £29.8m are;

- The pension liability for the Council has reduced by £2.7m. The actuaries' who calculate the pension liability, based on a number of assumptions, have calculated the overall liability has reduced from £359.3m to £356.6m.
- Increase in Investment Properties of £3.7m mainly due to the freehold purchase of Parkway House in Bournemouth Town Centre.
- Increase in Property, Plant & Equipment of £29.7m mainly due to upward revaluations and purchases / enhancements of assets throughout the year in the HRA and General Fund.

Interpretation of the Accounts - Christchurch

22. Key features highlighted mentioned in the financial summary for Christchurch are:

- **No net use of revenue reserves.** Included within this balanced position are;
 - a) £0.562m revenue surplus for 2018/19 contribution to revenue reserves;
 - b) £1.368m budgeted contribution to revenue reserves comprising mainly revenue headroom and contribution to risk based business rate reserves;
 - c) £1.331m spent from the Capital Fund;
 - d) £0.599m (net) to support council services and specific projects.
 - e) The Council maintained total revenue reserves of £9.878m as at 31 March 2019, of which £2.175m was unallocated and available to support transformation and other corporate priorities.

23. The most noteworthy points to highlight within Christchurch's £0.891m decrease in net assets shown in the Balance Sheet are;

- The pension liability for the Council has reduced by £0.658m. The actuaries' who calculate the pension liability, based on a number of assumptions, have calculated the overall liability has reduced from £27.486m to £26.828m.
- Decrease in cash & cash equivalents and short term investments of a net £1.429m, matched by the reduction in capital receipts that have been used in

year to fund the capital programme plus the net change in debtors and creditors.

- Reduction in investment properties of £1.152m mainly due to the transfer of land to the new Highcliffe & Walkford Parish Council.
- Increase in Property, Plant & Equipment of £0.625m being the net of additions, revaluations and transfers to the new parish councils in the Borough of Christchurch.

24. The accounting cost of providing services within the Christchurch area is disclosed in the Comprehensive Income & Expenditure Statement as a £2.531m deficit. However, once accounting adjustments such as depreciation, pensions and the transfer of £2.398m of assets to the new parish councils are reversed, the net effect on the General Fund, ie a balanced position, is shown in the Movement in Reserves Statement.

Interpretation of the Accounts - Poole

25. Key features highlighted mentioned in the financial summary for Poole are:

- **Increase revenue reserves totalled £8.6m.** This represents;
 - a) £121k increase in schools general balances being utilised to finance their future activities
 - b) £8.4m set aside to support council services and specific projects going forward in the new Council.

26. The most noteworthy points to highlight within the Poole net assets increase of £39.4m are;

- The pension liability for the Council has reduced by £1.7m. The actuaries' who calculate the pension liability, based on a number of assumptions, have calculated the overall liability has reduced from £270.9m to £269.2m.
- Increase in Property, Plant & Equipment of £31.7m mainly due to upward revaluations and purchase / enhancements of assets throughout the year in the HRA and General Fund.

Consultation

27. Consultation with the Council's external auditor, Grant Thornton, has taken place to ensure compliance with current Accounting Codes of Practice. The Statement of Accounts is subject to a full audit scrutiny by External Audit.

28. The accounts have been subject to the period of public inspection which took place from the 3 June 2019 to 12 July 2019.

Alternative Options

29. This report provides financial performance information, and as a result there are no alternative options to consider.

Summary of finance and resource implications

30. Statement of Accounts play a key role in demonstrating to taxpayers and other stakeholders how public money has been used and in providing assurance around the baseline upon which the 2019/20 BCP Budget was founded.

Summary of legal implications

31. This report has been produced in accordance with the Accounts and Audit Regulations which require all relevant Council's to have their Audited Statement of Accounts approved by a resolution of an authorised member meeting by 31 July. Under the Council's constitution this power has been delegated to the Audit & Governance Committee.

Summary of human resources implications

32. None specifically related to this report.

Summary of environmental impact

33. None specifically related to this report.

Summary of public health implications

34. None specifically related to this report.

Summary of equality implications

35. Senior Officers and Directors of Service are required to carry out Equality Impact Assessments (EQIA) across their services and in support of their budget proposals.

Summary of risk assessment

36. The financial health of the Authority as demonstrated within its Statement of Accounts will be used to inform the Council's overall financial risk assessment and the Council's consequential reserve strategy.

37. Failure to produce an unqualified Statement of Accounts would result in reputational risk with regards how the Council is viewed by the community it serves and by Central Government.

Background papers

38. The final outturn each of the predecessor councils to BCP Cabinet on the 12 June 2019 can be found at;

<https://democracy.bcpCouncil.gov.uk/ieListDocuments.aspx?CIId=285&MIId=3718&Ver=4>

Appendices

Appendix A Bournemouth 2018/19 Statement of Accounts (**SEE SUPPLEMENTARY PACK**)

Appendix B Christchurch 2018/19 Statement of Accounts (**SEE SUPPLEMENTARY PACK**)

Appendix C Poole 2018/19 Statement of Accounts (**SEE SUPPLEMENTARY PACK**)

Appendix D Bournemouth Letter of Representation

Appendix E Christchurch Letter of Representation

Appendix F Poole Letter of Representation

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Date: 25 July 2019
Our Ref:
Contact: Dan Povey
Email: dan.povey@bcpcouncil.gov.uk
Tel: 01202 795053

Dear Sirs

Bournemouth Borough Council
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of **Bournemouth Borough Council** for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation

of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

- vi. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

- a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
 - xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
 - xxi. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
 - xxii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxiv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

Approval

The approval of this letter of representation was minuted by the Audit and Governance Committee of Bournemouth, Christchurch and Poole Council as successor body to Bournemouth Borough Council at its meeting on 25 July 2019.

Yours faithfully

Name.....

Chair of the Audit and Governance Committee

Date.....

Name.....

Chief Financial Officer

Date.....

Signed on behalf of the Governing Body

Additional written representations from management or those charged with governance

The general letter of representation includes all written representations that are required to be made by management or those charged with governance for every audit.

In addition to the required representations, other ISAs (UK) require the auditor to request written representations when certain factors or situations are triggered. These ISAs and the representations are included in section 1 below.

The auditor may also determine it is necessary to obtain one or more written representations to support other audit evidence relevant to the financial statements or one or more specific assertions in the financial statements. Section 2 includes some examples of such representations.

1 Representations required by other ISAs where applicable

ISA 540.22 Auditing accounting estimates

The auditor should request specific representations from management and, where appropriate, those charged with governance about whether significant assumptions used in making accounting estimates are reasonable.

ISA 570.16(e) Going concern

Where events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern (irrespective of whether a material uncertainty exists) the auditor should request specific representations from management and, where appropriate, those charged with governance regarding their plans for future actions and the feasibility of these plans.

ISA 570.A20 Going concern

There may be situations where it is appropriate to obtain specific representations beyond those required by ISA 570.16(e) in support of audit evidence obtained regarding management's plans for future actions in relation to its going concern assessment and the feasibility of those plans.

ISA 710.9 Comparative information

The auditor should request specific representations from management about any restatement made to correct a material misstatement in prior period financial statements that affect the comparative information.

2 Other representations

ISA 580.A10 Written representations [Financial Statements]

Where relevant the auditor may want to request other representations about the following:

- whether the selection and application of accounting policies are appropriate;
- whether matters such as the following have been recognised, measured, presented or disclosed in accordance with the applicable financial reporting framework:
 - Plans or intentions that may affect the carrying value or classification of assets and liabilities;
 - Liabilities, both actual and contingent;
 - Title to, or control over, assets, the liens or encumbrances on assets, and assets pledged as collateral;
 - Aspects of laws, regulations and contractual agreements that may affect the financial statements, including non-compliance.

Examples of representations:

Under Financial Statements:

Except as stated in the financial statements:

- a. there are no unrecorded liabilities, actual or contingent
- b. none of the assets of the company has been assigned, pledged or mortgaged
- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

There were no transactions, arrangements or agreements to provide credit facilities, (including loans, quasi-loans or credit transactions and guarantees to involving directors or officers that should be disclosed in the financial statements under section 412 and 413 of the Companies Act 2006 except as disclosed in note [..].

The company has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

We have signed sales and service franchise agreements with the manufacturer under the new Block Exemptions regulations. We are not serving the termination period for any current franchised held, nor have we been notified of any impending franchise termination notice from any manufacturer. We anticipate meeting all standards and special arrangements required by the manufacturer.

ISA 580.A11 Written representations [Information Provided to the Auditor]

In addition to the standard written representations required by ISA 580.11 for all audits, the auditor may consider it necessary to request that management provide the following representation:

Under Information Provided:

We have communicated to you all deficiencies in internal control of which we are aware.

ISA 580.A12-A13 Written representations [Specific Assertions]

The auditor may consider it necessary to request that management provide written representations in other areas of the financial statements such as:

- directors' valuations of assets and liabilities, and profit or losses foreseen on long term contract work in progress
- likely outcomes of litigation or uncertain situations
- representations concerning transactions which involve the application of specific areas of PAYE/NI, VAT or other corporate taxes e.g. casual labour
- any further areas of completeness or judgement
- any other areas where representations are necessary to provide adequate audit evidence.

This page is intentionally left blank

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Date: 25 July 2019
Our Ref:
Contact: Dan Povey
Email: dan.povey@bcpcouncil.gov.uk
Tel: 01202 795053

Dear Sirs

Christchurch Borough Council
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of **Christchurch Borough Council** for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation

of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

- vi. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

- a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
 - xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
 - xxi. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
 - xxii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxiv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

Approval

The approval of this letter of representation was minuted by the Audit and Governance Committee of Bournemouth, Christchurch and Poole Council as successor body to Christchurch Borough Council at its meeting on 25 July 2019.

Yours faithfully

Name.....

Chair of the Audit and Governance Committee

Date.....

Name.....

Chief Financial Officer

Date.....

Signed on behalf of the Governing Body

Additional written representations from management or those charged with governance

The general letter of representation includes all written representations that are required to be made by management or those charged with governance for every audit.

In addition to the required representations, other ISAs (UK) require the auditor to request written representations when certain factors or situations are triggered. These ISAs and the representations are included in section 1 below.

The auditor may also determine it is necessary to obtain one or more written representations to support other audit evidence relevant to the financial statements or one or more specific assertions in the financial statements. Section 2 includes some examples of such representations.

1 Representations required by other ISAs where applicable

ISA 540.22 Auditing accounting estimates

The auditor should request specific representations from management and, where appropriate, those charged with governance about whether significant assumptions used in making accounting estimates are reasonable.

ISA 570.16(e) Going concern

Where events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern (irrespective of whether a material uncertainty exists) the auditor should request specific representations from management and, where appropriate, those charged with governance regarding their plans for future actions and the feasibility of these plans.

ISA 570.A20 Going concern

There may be situations where it is appropriate to obtain specific representations beyond those required by ISA 570.16(e) in support of audit evidence obtained regarding management's plans for future actions in relation to its going concern assessment and the feasibility of those plans.

ISA 710.9 Comparative information

The auditor should request specific representations from management about any restatement made to correct a material misstatement in prior period financial statements that affect the comparative information.

2 Other representations

ISA 580.A10 Written representations [Financial Statements]

Where relevant the auditor may want to request other representations about the following:

- whether the selection and application of accounting policies are appropriate;
- whether matters such as the following have been recognised, measured, presented or disclosed in accordance with the applicable financial reporting framework:
 - Plans or intentions that may affect the carrying value or classification of assets and liabilities;
 - Liabilities, both actual and contingent;
 - Title to, or control over, assets, the liens or encumbrances on assets, and assets pledged as collateral;
 - Aspects of laws, regulations and contractual agreements that may affect the financial statements, including non-compliance.

Examples of representations:

Under Financial Statements:

Except as stated in the financial statements:

- a. there are no unrecorded liabilities, actual or contingent
- b. none of the assets of the company has been assigned, pledged or mortgaged
- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

There were no transactions, arrangements or agreements to provide credit facilities, (including loans, quasi-loans or credit transactions and guarantees to involving directors or officers that should be disclosed in the financial statements under section 412 and 413 of the Companies Act 2006 except as disclosed in note [..].

The company has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

We have signed sales and service franchise agreements with the manufacturer under the new Block Exemptions regulations. We are not serving the termination period for any current franchised held, nor have we been notified of any impending franchise termination notice from any manufacturer. We anticipate meeting all standards and special arrangements required by the manufacturer.

ISA 580.A11 Written representations [Information Provided to the Auditor]

In addition to the standard written representations required by ISA 580.11 for all audits, the auditor may consider it necessary to request that management provide the following representation:

Under Information Provided:

We have communicated to you all deficiencies in internal control of which we are aware.

ISA 580.A12-A13 Written representations [Specific Assertions]

The auditor may consider it necessary to request that management provide written representations in other areas of the financial statements such as:

- directors' valuations of assets and liabilities, and profit or losses foreseen on long term contract work in progress
- likely outcomes of litigation or uncertain situations
- representations concerning transactions which involve the application of specific areas of PAYE/NI, VAT or other corporate taxes e.g. casual labour
- any further areas of completeness or judgement
- any other areas where representations are necessary to provide adequate audit evidence.

This page is intentionally left blank

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Date: 25 July 2019
Our Ref:
Contact: Dan Povey
Email: dan.povey@bcpcouncil.gov.uk
Tel: 01202 795053

Dear Sirs

Borough of Poole Council
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of **Borough of Poole Council** for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation

of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

- vi. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xiv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

- a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
 - xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
 - xxi. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
 - xxii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxiv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

Approval

The approval of this letter of representation was minuted by the Audit and Governance Committee of Bournemouth, Christchurch and Poole Council as successor body to Borough of Poole Council at its meeting on 25 July 2019.

Yours faithfully

Name.....

Chair of the Audit and Governance Committee

Date.....

Name.....

Chief Financial Officer

Date.....

Signed on behalf of the Governing Body

Additional written representations from management or those charged with governance

The general letter of representation includes all written representations that are required to be made by management or those charged with governance for every audit.

In addition to the required representations, other ISAs (UK) require the auditor to request written representations when certain factors or situations are triggered. These ISAs and the representations are included in section 1 below.

The auditor may also determine it is necessary to obtain one or more written representations to support other audit evidence relevant to the financial statements or one or more specific assertions in the financial statements. Section 2 includes some examples of such representations.

1 Representations required by other ISAs where applicable

ISA 540.22 Auditing accounting estimates

The auditor should request specific representations from management and, where appropriate, those charged with governance about whether significant assumptions used in making accounting estimates are reasonable.

ISA 570.16(e) Going concern

Where events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern (irrespective of whether a material uncertainty exists) the auditor should request specific representations from management and, where appropriate, those charged with governance regarding their plans for future actions and the feasibility of these plans.

ISA 570.A20 Going concern

There may be situations where it is appropriate to obtain specific representations beyond those required by ISA 570.16(e) in support of audit evidence obtained regarding management's plans for future actions in relation to its going concern assessment and the feasibility of those plans.

ISA 710.9 Comparative information

The auditor should request specific representations from management about any restatement made to correct a material misstatement in prior period financial statements that affect the comparative information.

2 Other representations

ISA 580.A10 Written representations [Financial Statements]

Where relevant the auditor may want to request other representations about the following:

- whether the selection and application of accounting policies are appropriate;
- whether matters such as the following have been recognised, measured, presented or disclosed in accordance with the applicable financial reporting framework:
 - Plans or intentions that may affect the carrying value or classification of assets and liabilities;
 - Liabilities, both actual and contingent;
 - Title to, or control over, assets, the liens or encumbrances on assets, and assets pledged as collateral;
 - Aspects of laws, regulations and contractual agreements that may affect the financial statements, including non-compliance.

Examples of representations:

Under Financial Statements:

Except as stated in the financial statements:

- a. there are no unrecorded liabilities, actual or contingent
- b. none of the assets of the company has been assigned, pledged or mortgaged
- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

There were no transactions, arrangements or agreements to provide credit facilities, (including loans, quasi-loans or credit transactions and guarantees to involving directors or officers that should be disclosed in the financial statements under section 412 and 413 of the Companies Act 2006 except as disclosed in note [..].

The company has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

We have signed sales and service franchise agreements with the manufacturer under the new Block Exemptions regulations. We are not serving the termination period for any current franchised held, nor have we been notified of any impending franchise termination notice from any manufacturer. We anticipate meeting all standards and special arrangements required by the manufacturer.

ISA 580.A11 Written representations [Information Provided to the Auditor]

In addition to the standard written representations required by ISA 580.11 for all audits, the auditor may consider it necessary to request that management provide the following representation:

Under Information Provided:

We have communicated to you all deficiencies in internal control of which we are aware.

ISA 580.A12-A13 Written representations [Specific Assertions]

The auditor may consider it necessary to request that management provide written representations in other areas of the financial statements such as:

- directors' valuations of assets and liabilities, and profit or losses foreseen on long term contract work in progress
- likely outcomes of litigation or uncertain situations
- representations concerning transactions which involve the application of specific areas of PAYE/NL, VAT or other corporate taxes e.g. casual labour
- any further areas of completeness or judgement
- any other areas where representations are necessary to provide adequate audit evidence.

This page is intentionally left blank



AUDIT AND GOVERNANCE COMMITTEE

Report subject	Internal Audit – Audit Charter 2019/20, Audit Plan 2019/20 and Quarterly Audit Plan Update Qtr1 2019/20
Meeting date	25 July 2019
Status	Public Report
Executive Summary	<p>This report sets out the Internal Audit Charter and Audit Plan for 2019/20. Approval of these documents by the Audit and Governance Committee is a requirement of the Public Sector Internal Audit Standards (PSIAS).</p> <p>The report also details progress made on delivery of the 2019/20 Audit Plan for the period April to June (inclusive) 2019. The report highlights that:</p> <ul style="list-style-type: none"> • Three audit assignments have been completed (all ‘Reasonable’ audit opinion); • Twenty audit assignments are in progress; • Implementation of audit recommendations is satisfactory; • There are no other significant issues to report.
Recommendation(s)	<p>It is RECOMMENDED that:</p> <p>Audit and Governance Committee are asked to:</p> <ul style="list-style-type: none"> • approve the Internal Audit Charter and agree the Chair signs the document to record this approval; • approve the Internal Audit Plan 2019/20. <p>Audit and Governance Committee are also asked to:</p> <ul style="list-style-type: none"> • note the budget for the Internal Audit service which has been previously approved by Council; • note progress made and issues arising on the delivery of the 2019/20 Internal Audit Plan.
Reason for recommendation(s)	<p>To comply with Public Sector Internal Audit Standards</p> <p>To communicate progress on the delivery of the 2019/20 Internal Audit Plan.</p> <p>To ensure Audit Committee are fully informed of the significant issues arising from the work of Internal Audit during the quarter.</p>

Portfolio Holder(s):	Councillor Vikki Slade (Leader of the Council)
Corporate Director	Julian Osgathorpe (Corporate Director Resources)
Contributors	Nigel Stannard (Head of Audit & Management Assurance) Simon Milne (Deputy Chief Internal Auditor)
Wards	All Wards
Classification	For Recommendation/Decision/Update and Information

Background

1. The Public Sector Internal Audit Standards (PSIAS) provide a consistent framework for Internal Audit Services operating across public sector. The Public Sector Internal Audit Standards require Internal Audit to:
 - periodically review its Charter;
 - produce a risk based Audit Plan; and to
 - obtain approval for the Internal Audit service budget.
2. Audit & Governance Committee are requested to approve the Internal Audit Charter and Audit Plan for 2019-20, and also note the Internal Audit service budget (as previously approved by Council).
3. This report details Internal Audit's progress against the 2019/20 Audit Plan for the period April 2019 to June 2019, and reports the audit opinion of the assignments completed during this period.
4. The report also provides an update on any significant issues arising and implementation of internal audit recommendations by management.

INTERNAL AUDIT CHARTER 2019/20

5. The Internal Audit Charter (see Appendix A) describes the purpose, authority, responsibilities and scope of the Council's Internal Audit Section.
6. The Charter has been previously agreed by the BCP Programme Board and approval is now sought from the Audit & Governance Committee to align with Public Sector Internal Audit Standards.

INTERNAL AUDIT PLAN 2019/20

7. The summary BCP Internal Audit Plan 2019/20 is detailed below:

AUDIT ACTIVITY	2018/19 PLAN DAYS(legacy Councils)	2019/20 PLAN DAYS BCP	Difference (Days)	Difference %
----------------	---	-----------------------------	----------------------	-----------------

CORE AUDIT & ASSURANCE WORK				
KEY ASSURANCE FUNCTIONS	334	190		
HIGH LEVEL RISKS	533	665		
COUNTER FRAUD RISKS	172	160		
KEY FINANCIAL SYSTEMS	291	255		
SCHOOLS	37	75		
ADVICE & FOLLOW UP & C/FWD	292	270		
TOTAL	1,659	1,615	-44	-3%
OTHER AUDIT WORK				
SPECIAL INVESTIGATIONS	190	120		
CONTINGENCY AUDITS	120	75		
FINANCIAL REGULATIONS COMPLIANCE	40	25		
TOTAL	350	220	-130	-37%
CORPORATE ASSURANCE WORK				
CORPORATE FRAUD	104	125		
FREE EARLY EDUCATION FUNDING AUDITS	60	60		
TOTAL	164	185	+21	+13%
VFM/BCP WORK				
VFM/EFFICIENCY/MTFP	65	45		
BCP IMPLEMENTATION	68	65		
TOTAL	133	110	-23	-17%
GOVERNANCE WORK				
CORPORATE MANAGEMENT & LIAISON	42	28		
MEMBER LIAISON	76	52		
AGS (Annual Governance Statement)	80	75		
TOTAL	198	155	-43	-22%
SERVICE MANAGEMENT WORK				
MANAGEMENT & SUPERVISION	217	215		
AUDIT DEVELOPMENT	77	77		
AUDIT PLANNING	71	58		
PERFORMANCE MANAGEMENT	66	61		
TOTAL	431	411	-20	-5%
NON PRODUCTIVE TIME				
LEAVE	518	490		
SICK	55	70		
TRAINING	187	171		
VACANCY CONTINGENCY	0	50		
TOTAL	760	781	+21	+3%
TOTAL DAYS	3,695	3,477	-218	-6%

8. The 'Core Audit & Assurance Work' (1,615 days) is detailed further at Appendix B and shows all planned work across each individual Service Area.
9. Consultation has been carried out with Corporate and Service Directors and External Audit. The Head of Financial Services has approved the final plan.
10. The proposed work in the 2019/20 Audit Plan has been designed to enable the Head of Internal Audit to provide an annual opinion on the adequacy and effectiveness of the Council's control environment.

11. Monitoring of the Audit Plan completion will be brought to this committee on a quarterly process (Quarter 1 is included in this report below).
12. During 2019/20 there will be unprecedented change as services transform and therefore the Audit Plan will need to be very flexible and may require amendment during the year.
13. Audit & Governance Committee are asked to agree the proposed 2019/20 Audit Plan and acknowledge that should any significant changes be required these will be brought back to future Audit & Governance Committee meetings for agreement.

Delivery of the 2019/20 Internal Audit Plan

14. Three audit assignments have been fully completed in this quarter of 2019/20 (April-June 19) as outlined below.

2019/20 Audits Completed

	Service Area	Audit	Assurance Opinion
1	Family & Learning	St Edwards School	Reasonable
2	Family & Learning	Hillbourne School	Reasonable
3	Adult Social Care	No Recourse to Public Funds	Reasonable

Key:

- **Substantial Assurance** - There is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.
- **Reasonable Assurance** - Whilst there is basically a sound control framework, there are some weaknesses which may put service objectives at risk.
- **Partial Assurance** - There are weaknesses in the control framework which are putting service objectives at risk
- **Minimal Assurance** - The control framework is generally poor and as such service objectives are at significant risk

15. There were no 'Partial' or 'Minimal' assurance audit reports issued during the quarter.

16. The status of other audits in progress (April-June 2019) is outlined below:

2019/20 Audits In Progress

	Service Area	Audit	Progress
1	Environment	Governance of Charities	Fieldwork
2	Housing	Governance of Companies	Fieldwork
3	All Service Areas	Income Systems	Fieldwork
4	All Service Areas	Petty Cash	Fieldwork
5	Family & Learning	Christchurch Learning Centre	Fieldwork
6	Family & Learning	Christchurch Infant School	Fieldwork
7	Family & Learning	Mudford Junior School	Fieldwork
8	Family & Learning	Mudford Community Infants School	Fieldwork
9	Family & Learning	Somerford Primary Community School	Fieldwork
10	Family & Learning	St Joseph's Catholic VA Primary School	Fieldwork

11	Family & Learning	Highcliffe St Mark Primary School	Fieldwork
12	Family & Learning	Burton CE Primary School	Fieldwork
13	Family & Learning	The Priory CE VA Primary School	Fieldwork
14	Family & Learning	Treasury Management	Fieldwork
15	Adult Social Care	Mosaic System Review	Scoping
16	Children's Social Care	Out of Hours Service	Scoping
17	Children's Social Care	Aspire Adoptions Services	Scoping
18	Destination & Culture	Arcade Cash Income	Scoping
19	Destination & Culture	Adult Education	Scoping
20	Financial Services	Debtors	Scoping

17. In summary, good progress is being made on completion of the 2019/20 Audit Plan. No issues are currently identified which would prevent the Audit Plan being materially delivered as planned.

Significant Issues Arising/ Other Work

18. One Whistleblowing referral was received during the first quarter and is being investigated. This related to arrangements in place prior to BCP Council and the outcome will be reported, along with all other investigations, in the legacy Councils' 'Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2018/19' (to this Committee) in October 2019.

19. There are no other significant issues arising from work during the first quarter of 2019/20 to bring to the attention of Members.

20. A significant amount of transformation work has been carried out moving from legacy Councils arrangements to BCP arrangements during the first quarter of 2019/20.

21. The Head of Audit & Management Assurance is the lead officer for the 'Financial Governance' workstream which includes:

- Financial Regulations, Fraud & Corruption & Whistleblowing, Emergency Planning, Business Continuity, Insurance, Risk Management, Fire Safety/Health & Safety, Internal Audit, External Audit.

Recommendations Implementation

22. All high priority recommendations followed up during the period (in line with the agreed action plan) were found to have been satisfactorily implemented by management. No recommendations are required to be escalated to Audit & Governance Committee.

Summary of Financial Implications

23. The BCP Internal Audit Team budgeted cost is £699,600 which is inclusive of all direct costs including apportioned corporate accommodation costs and supplies & services but does not include the apportionment of central support costs (which are budgeted in aggregate and apportioned to services as a separate exercise). These numbers are also inclusive of the Head of Audit & Management Assurance who manages several other teams.

24. This allocated budget resource is adequate to deliver the Internal Audit Charter and Plan as described in this report. Audit & Governance Committee are asked to note the budget for the Internal Audit service which has been previously approved by Council.

25. The Internal Audit Team is currently at full establishment. There are no anticipated projected year end budget variances to report for 2019/20.

Summary of Legal Implications

26. This report gives an opinion on the adequacy and effectiveness of the risk, control and governance systems in place.

Summary of Human Resource Implications

27. The BCP Internal Audit Team consists of 13.55 FTE.

Summary of Environmental Impact

28. There are no direct environmental implications from this report

Summary of Public Health Implications

29. There are no direct public health implications from this report.

Summary of Equality Implications

30. There are no direct equality implications from this report.

Summary of Risk Assessment

31. The risk implications are set out in the content of this report.

Background Papers

None.

Appendices

Appendix A – Internal Audit Charter 2019/20

Appendix B – Core Audit Plan 2019/20



INTERNAL AUDIT CHARTER 2019/20

Document Control

Policy title	Internal Audit Charter
Policy Owner	Chief Internal Auditor
Policy author	Deputy Chief Internal Auditor
Current Version	1
Effective from date	April 2019
Approval body	BCP Programme Board
Approval date	4th January 2019
Review Frequency	Annually
Next review due	March 2020

Consultees

The following individuals/groups have been consulted during the development of this policy:

Name	Organisation	Date Consulted

Equalities Impact Assessment

Assessment date	11th December 2018 (screening tool - no formal assessment required)
-----------------	---

Freedom of Information Act Exemption

FOI Exempt	No
------------	----

Revision History

Date	Version	Summary of changes	Section(s) Changed

Minor Amendments and Editing Log

The Chief Internal Auditor has primary responsibility for developing, maintaining and implementing the Internal Audit Charter. Where changes affect the powers or responsibilities of members, approval of the Audit & Governance Committee is required.

It is recognised there may be a need to clarify or update certain elements of the Internal Audit Charter from time to time, this may require minor amendments or editing. The Chief Internal Auditor has delegated Authority to make minor amendments and editing changes. Any such changes will be logged in the table below.

Date	Description of amendments or editing	Page
-	-	-

CONTENTS

1 INTRODUCTION 3

2 DEFINITION (Standard 1010) 3

3 PURPOSE (Standard 1000) 3

4 AUTHORITY (Standards 1000, 1010) 4

5 RESPONSIBILITIES (Standard 1000) 5

6 REPORTING LINES (Standard 1000) 8

7 CODE OF ETHICS AND INDEPENDENCE & OBJECTIVITY (Standard 1100) 8

8 PROFICIENCY AND DUE PROFESSIONAL CARE (Standard 1200) 9

9 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (Standard 1300) 10

10 MANAGING THE INTERNAL AUDIT ACTIVITY (Standard 2000) 11

11 NATURE OF THE WORK (Standard 2100) 12

12 ENGAGEMENT PLANNING (Standard 2200) 13

13 PERFORMING THE ENGAGEMENT (Standard 2300) 13

14 COMMUNICATING RESULTS (Standard 2400) 14

15 MONITORING PROCESS (Standard 2500) 16

16 COMMUNICATING THE ACCEPTANCE OF RISKS (Standard 2600) 16

17 REVIEW OF THE INTERNAL AUDIT CHARTER 16

APPENDIX 1 - GLOSSARY & ACRONYMS 17

1 INTRODUCTION

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require all internal audit activities to implement and retain an 'Internal Audit Charter'.
- 1.2 The PSIAS are supplemented with a Local Government Application Note (LGAN) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in collaboration with the Chartered Institute of Internal Auditors (CIIA). The LGAN provides sector-specific requirements for local government organisations within the UK Public Sector.
- 1.3 The PSIAS encompass the mandatory elements of the CIIA's International Professional Practices Framework (IPPF) as follows:
 - Definition of Internal Auditing,
 - Code of Ethics, and
 - International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).
- 1.4 The headings of each section of the Charter refer to specific sections of the PSIAS for reference purposes.

2 DEFINITION (Standard 1010)

- 2.1 Internal Auditing is 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 PURPOSE (Standard 1000)

Internal Audit Charter

- 3.1 The purpose of the Internal Audit Charter is to formally define the Internal Audit Service's purpose, authority and responsibility.

Internal Audit Purpose

- 3.2 The Council is responsible for establishing and maintaining appropriate risk management processes, control systems and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.
- 3.3 The Council's Internal Audit Service should lead to the strengthening of the control environment and therefore contribute to the achievement of the organisation's objectives.
- 3.4 This is achieved through Internal Audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

Scope & Objectives of Internal Audit

- 3.5 The Internal Audit Service is carried out under the Audit & Management Assurance Section within Financial Services.
- 3.6 The scope and objectives of the Internal Audit Service is to:
- Appraise and report on the adequacy of internal controls across the whole organisation as a contribution to the proper, economic, efficient and effective use of resources. This includes:
 - i. the completeness, reliability and integrity of information, both financial and operational,
 - ii. the systems established to ensure compliance with policies, plans, procedures, laws and regulations,
 - iii. the extent to which assets and interests are accounted for and safeguarded from loss,
 - iv. the economy, efficiency and effectiveness with which resources are employed and;
 - v. Whether operations are being carried out as planned and objectives and goals are being met.
 - Promote good governance arrangements and monitor progress made against governance actions.
 - Support the risk management process within the Council.
 - Advise on internal controls, risks or governance arrangements.
 - Support where necessary on relevant corporate / service projects or reviews.
 - Add value through advice, facilitation and training (subject to there being no impact on core assurance work, the maintenance of independence and the availability of skills and resources).
 - Be proactive in countering fraud and corruption.
 - Provide a corporate fraud investigation service.
 - Support the work of the Audit and Governance Committee.
 - Provide assurance over the financial operation of the Council's maintained schools.
 - Provide assurance on government funds allocated to nurseries, pre-schools and childminders.
 - Provide an Internal Audit service for partnerships as directed by the Council.
 - Provide grant certification work as directed by the Council and/or external bodies.
- 3.7 The detailed work of Internal Audit is set out within the risk based Internal Audit Plan which is designed to support the Chief Internal Auditor's Annual Internal Audit Opinion and Council's Annual Governance Statement (AGS).
- 3.8 In conducting its work, and if appropriate to do so, Internal Audit may choose to place reliance on the work of other assurance providers (e.g. External Audit, Inspection Agencies etc), to avoid duplication of effort and to maximise resources.

4 AUTHORITY (Standards 1000, 1010)

Accounts and Audit Regulations (England) 2015

- 4.1 Regulation 5 of the Accounts and Audit Regulations (England) 2015 requires the Council to "*undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, and taking into account public sector internal auditing standards or guidance.*" The

Regulations also add that authorities are to “*make available such documents and records and supply such information and explanations as are considered necessary by those conducting the internal audit*”.

Local Government Act 1972

4.2 Internal Audit also assists the Section 151 Officer (Chief Finance Officer) in discharging their delegated responsibilities under Section 151 of the Local Government Act 1972 which requires the Council to;

“Make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.

Financial Regulations

4.3 Part E (Internal Control, Audit and Risk Management) of the Council’s Financial Regulations support the authority given by Accounts and Audit Regulations (England) 2015 and the Local Government Act 1972.

4.4 Part B Section 12 of the Financial Regulations states that *“The CIA has rights of access to information and data held by officers or Members of the Council at all reasonable times and is responsible for the overall co-ordination and deployment of external and internal audit resources at the Council. He/she also has the right to report on any relevant matter of concern to senior management and Members of the Council outside normal line management arrangements should he/she deem this necessary in protecting the interests of the Council and/or local tax payers.”*

4.5 For clarity, the above authority may extend to partner organisations if required.

5 RESPONSIBILITIES (Standard 1000)

Chief Internal Auditor (CIA)

5.1 The CIA is defined by PSIAS as the role of a person in a senior position responsible for effectively managing the Internal Audit Service in accordance with the Internal Audit Charter and the mandatory elements of PSIAS.

5.2 The CIA is designated by the Chief Finance Officer (CFO) as part of his/her Service Unit Scheme of Delegation further to Part 3 (Schedule 1) of the Council’s Constitution and plays a key role in providing assurance to Members, the CFO, the Head of Paid Service (HPS) and the Statutory Officers Group about the probity, practical deployment and effectiveness of financial management of the Council.

The CIA is responsible for:

- Managing the Internal Audit Service and determining the scope and methods of audit activity.
- Ensuring that Internal Audit staff operate within current auditing and ethical standards of the professional bodies of which internal audit are members.
- Ensuring Internal Audit staff have an impartial, unbiased attitude and avoid conflicts of interest.

- Preparing an Internal Audit Charter and annual Internal Audit Plan in consultation with the Audit and Governance Committee for approval.
- Ensuring that the Internal Audit Service is appropriately resourced in terms of numbers, grades, qualification levels and experience to meet its objectives.
- Ensuring a system of audit work supervision is in place.
- Ensuring effective liaison between Internal and External Audit functions.
- Providing an annual opinion on the overall adequacy and effectiveness of the Council's control environment for Members' consideration.
- Notifying External Audit of any matter that they would rightly expect to be informed of in order to support the function of an effective and robust external audit service.
- Determining the nature of any investigation work required in respect of any allegation of wrong doing, and/or any other action required.
- Requiring any Member or staff of the Council to provide any information or explanation needed in the course of an investigation subject to the lawful limits set out in relevant legislation.
- Referring investigations to the Police in consultation with the CFO and Monitoring Officer (MO); under normal circumstances the relevant service manager would also be consulted.
- Referring cases directly to the Police, in consultation with the CFO and MO, if it is believed an internal enquiry would compromise the integrity of the investigation and /or otherwise prejudice the interests of the Council or the general public.

Audit and Governance Committee

5.3 For the purpose of the PSIAS, the Council's Audit and Governance Committee will act as the 'Board' defined by the standards. The Audit and Governance Committee is defined as the Committee charged with the responsibility to direct and/or oversee the organisation's audit and governance activities and hold senior management accountable. The Audit and Governance Committee provides oversight of the Internal Audit Service within the Council.

The Audit and Governance Committee is responsible for:

- Approving the Internal Audit Charter and Audit Plan including the relevant resources on an annual basis.
- Considering the annual report and opinion of the CIA, including a summary of Internal Audit activity (actual and proposed in the relevant accounting period) and the level of assurance that can be given over the risk and control environment and corporate governance arrangements.
- Receiving regular Internal Audit progress reports, the results of audit activities and any management responses to risks that have been highlighted.
- Endorsing the annual audit budget.
- Approving the appointment or removal of the CIA.
- Considering reports from Internal Audit on agreed recommendations that have not been implemented within agreed timescales.
- Commissioning work from Internal Audit and External Audit (with due regard to the resources available and the existing scope and breadth of their respective work programmes and the forward plan for the Committee).
- Considering any reports of the CIA referred to the Committee for consideration.

- Considering arrangements for counter-fraud and corruption, including ‘whistle-blowing’ including approval of the Anti-Fraud & Corruption Policy and the outcomes of any investigations in relation to this policy.
- Considering the External Auditor’s annual Audit Findings Report, Financial Resilience Report and all other relevant reports as scheduled in the forward plan for the Committee as agreed with the External Auditor or otherwise requested by Members.
- Liaising with the national body (currently Public Sector Audit Appointments (PSAA) Ltd) over the appointment of the Council’s External Auditors.

Chief Finance Officer, Section 151 Officer (CFO)

5.4 The CFO (S151) will be responsible for:

- Advising on effective systems of internal control to ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with statutes, regulations and other relevant statements of best practice.
- Conducting an annual review of the effectiveness of the system of internal control and publishing the results of this within the AGS for inclusion in the Council’s Annual Statement of Accounts.
- Maintaining an adequate and effective Internal Audit Service in accordance with the Accounts and Audit Regulations Act 2015 and further to Section 151 of the Local Government Act 1972.
- Ensuring that the rights and powers of internal and external auditors and fraud investigators are upheld at all times across the organisation.
- Ensuring that the statutory requirements for External Audit are complied with and that the External Auditor is able to effectively scrutinise the Council’s records.
- Ensuring that audit plans and resulting activities are reported to the Audit and Governance Committee.
- Developing, maintaining and implementing an Anti-Fraud and Corruption Policy and Whistleblowing Policy that stipulates the arrangements to be followed for preventing, detecting, reporting and investigating suspected fraud and irregularity.
- Advising on the controls required for fraud prevention and detection.
- Appointing a Money Laundering Reporting Officer and Deputy to ensure that systems are in place to counter opportunities for money laundering and that appropriate reports are made.
- Ensuring that effective preventative measures are in place to reduce the opportunity for bribery occurring in accordance with statutory requirements of the Bribery Act.

Managers and employees

5.5 Managers and employees are responsible for:

- Implementing effective systems of internal control including adequate separation of duties, clear authorisation levels, and appropriate arrangements for supervision and performance monitoring.
- Maintaining sound systems of internal control and implementing agreed Internal and External Audit recommendations within agreed timescales.
- Taking corrective action in respect of any non-compliance by staff with relevant rules, regulations, procedures and codes of conduct.
- Planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their objectives, standards and targets.

- Ensuring that auditors (internal and external) have access to all documents and records for the purposes of the audit and are afforded all facilities, co-operation and explanation deemed necessary.
- Cooperating in the production of annual audit plans by highlighting any areas of risk that may benefit from audit review.
- Ensuring the proper security and safe custody of all assets under their control.
- Report any suspected financial irregularities for investigation to the CIA.
- Complying with the Council's Anti-Fraud and Corruption Policy.
- Reporting any vulnerabilities or suspicions of money laundering in accordance with guidance issued by the Money Laundering Reporting Officer.
- Maintaining local staff registers of interest within their service areas.

6 REPORTING LINES (Standard 1000)

- 6.1 The CIA reports directly to the CFO (S151). Section 7.5 of this document also applies to the CIA's reporting lines.
- 6.2 The CIA will report to the Audit and Governance Committee on a regular basis.

7 CODE OF ETHICS AND INDEPENDENCE & OBJECTIVITY (Standard 1100)

Code of Ethics

- 7.1 All Internal Auditors will conform to the CIA's Code of Ethics. Where members of the Internal Audit Service have attained membership with other professional bodies such as: the Institute of Chartered Accountants in England and Wales (ICAEW) or CIPFA, those officers must also comply with their relevant bodies' ethical requirements. In addition to this, all Internal Auditors will have regard to the "Seven Principles of Public Life", known as the Nolan Principles. (www.public-standards.gov.uk)
- 7.2 Each member of the Service will receive a copy of the Code of Ethics and sign up to an annual declaration to confirm that they will work in compliance with the Code of Ethics as well as the Council's standards and policies such as the Council's Codes of Conduct. Where potential areas of conflict may arise during the year, the Auditor will also be required to disclose this. It is critical that all Auditors maintain high standards of integrity, independence, objectivity, confidentiality and competence.
- 7.3 Where an Internal Auditor's conduct does not comply with these standards or codes, disciplinary action may be taken, either by the Council or by the individual's professional body.

Independence and Objectivity (1100)

- 7.4 Other functions such as Emergency Planning, Health & Safety, Fire Safety, Business Resilience, Risk Management and Insurance operate within the Audit & Management Assurance Section and are managed by the CIA. However, Internal Audit engagements of these areas will be overseen by the Deputy Chief Internal Auditor (DCIA).

- 7.5 The CIA (and DCIA when overseeing the areas outlined in 7.4) has direct access and freedom to report in his/her name and without fear or favour to all officers, Senior Management and Members (including the Chair of the Audit and Governance Committee) and particularly to those charged with governance.
- 7.6 Internal Auditors must remain independent; therefore Auditors will be independent of the activities audited to enable staff to perform their duties in a way that allows them to make impartial, objective and effective professional judgements and recommendations. As such, Audit staff will not ordinarily have any operational responsibilities or involvement in system design unless approved by the CIA. Further to this, audit staff will not assess specific operations for which they have had any responsibility within the previous year.
- 7.7 The CIA will report annually to the CFO (S151) and the Audit and Governance Committee that independence and objectivity has been maintained. If this is not the case, disclosure will be made, this for example may be as a result of resource limitations, conflicts of interest or restricted access to records.

8 PROFICIENCY AND DUE PROFESSIONAL CARE (Standard 1200)

Proficiency (1210)

- 8.1 Each job role within the Internal Audit structure will detail skills and competencies within the approved job description and person specification. In line with Council policy and the PSIAS, each member of the Service will be assessed against these predetermined competencies and annual objectives. Any development and training plans will be regularly reviewed, monitored and agreed with officers. This assessment will also take into account competency changes as needed i.e. to reflect changing technology and legislation.
- 8.2 Auditors are also required to maintain a record of their continual professional development in line with their professional body.
- 8.3 The CIA will hold a professional qualification from the Chartered Institute of Internal Auditors, Consultative Committee of Accountancy Bodies or equivalent.

Due professional care (1220)

- 8.4 Internal Auditors must exercise due professional care by considering the:
- Extent of work needed to achieve the engagement's objectives;
 - Relative complexity, materiality or significance of matters under review;
 - Adequacy and effectiveness of governance, risk management and control processes;
 - Probability of significant errors, fraud, or non-compliance; and
 - Cost of assurance in relation to potential benefits.

9 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (Standard 1300)

- 9.1 To enable the CIA to assess the Internal Audit Service's conformance to the PSIAS and to aid in the annual assessment of Internal Audit's efficiency and effectiveness and identify opportunities for improvement, a Quality Assurance and Improvement Programme (QAIP) has been developed. The QAIP includes both internal and external assessments.
- 9.2 Assessment against the QAIP will form part of the annual assessment of the effectiveness of internal audit (contained within the Annual Auditors Report) which is published to the CFO (S151) and the Audit and Governance Committee.
- 9.3 Where there are instances of non-conformances to the PSIAS this is reported to the CFO (S151) and Audit and Governance Committee. Any significant deviations will be detailed within the AGS.

Internal Assessments (1311)

- 9.4 Annual self-assessments will be carried out on the Internal Audit Service to confirm that it adheres to the PSIAS. The Local Government Application Note will be used to assist the self-assessment. The self-assessment will be included in the Annual Internal Audit Report and will be annually reported to the Audit and Governance Committee.
- 9.5 All Auditors have access to an up to date electronic audit manual, the Internal Audit Charter, Council policies, the PSIAS and LGAN as well as other references such as TIS Online. In addition the CIA shares journals, publications and other relevant articles. Where staff are members of bodies such as the CIIA further guidance is available.
- 9.6 Targets and performance indicators are set for individual auditors as well as for the team. These are agreed with the CFO (S151) and the Audit and Governance Committee.
- 9.7 In addition to the QAIP, progress made against the annual Audit Plan and any emerging issues (i.e. fraud risks or governance issues) are reported regularly to the CFO (S151) and the Audit and Governance Committee.
- 9.8 Ongoing assessment of staff is carried out through regular one to one meetings, stakeholder feedback from post audit questionnaires and formally in the annual appraisal process.

External Assessments (1312)

- 9.9 The PSIAS stipulates that external assessment must be carried out at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.
- 9.10 The arrangement and scope of any such review must be agreed with the CFO (S151), the Audit and Governance Committee and the Independent Assessor.

10 MANAGING THE INTERNAL AUDIT ACTIVITY (Standard 2000)

10.1 Internal Audit adds value to the Council by considering strategies, objectives and risks to offer ways to enhance governance, risk management, control processes and by providing objective assurance on these activities.

Planning (2010)

10.2 The CIA develops an annual risk based Internal Audit Plan, which can be updated to reflect changing risks and priorities of the organisation, to enable the production of the annual internal audit opinion.

10.3 The plan will consider:

- The need for specialist auditor skills, where they are not available already.
- Contingency time for ad hoc reviews or fraud investigations.
- Sufficient time for audit management including audit planning, development of the annual opinion and attendance at meetings and maintenance of audit policies and procedures (Standard 2040).
- Staff training and development needs.
- Liaison time with other assurance providers to share information (standard 2050), such as the External Auditor.
- Assurances provided by other bodies (as detailed in the Council's Assurance Framework).

10.4 The CIA reports the risk based Internal Audit Plan and resource requirements to the CFO (S151) and the Audit and Governance Committee annually for review and approval.

Resource Management (2030)

10.5 For the Internal Audit Service to fulfil its responsibilities, it must be appropriately staffed in terms of numbers, professional qualifications, skills and experience. Resources must be effectively deployed to achieve the approved risk based plan. The mix of available knowledge, skills and other competencies will be considered once the risk based plan is drafted to ensure they are sufficient to deliver the plan.

10.6 It is the responsibility of the CIA to report to the CFO (S151) and the Audit and Governance Committee on any resource concerns that may impact upon the delivery of the annual audit opinion.

10.7 If necessary the CIA will agree with the CFO (S151) additional (specialist) resources.

10.8 Employment of staff will be in compliance with the Council's Human Resources policies. External resources will be procured in line with the Council's Financial Regulations.

Policies and Procedures (2040)

10.9 The CIA will establish and maintain an audit manual which will outline the policies and procedures to guide the Internal Audit Service.

11 NATURE OF THE WORK (Standard 2100)

Governance (2110)

11.1 Internal Audit will assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation;
- Ensuring effective organisational performance management, accountability and improvements to strategic and operational processes to meet the Council's objectives;
- Communicating risk and control information to appropriate areas of the organisation; and
- Coordinating the activities of and communicating information among the Audit and Governance Committee, External and Internal Audit and management.

Risk Management (2120)

11.2 Internal Audit evaluates the effectiveness and contributes to the improvement of risk management processes.

11.3 In accordance with the PSIAS, Internal Audit:

- Evaluates risk exposures relating to the Council's governance, operations and information systems regarding the:
 - Achievement of the organisation's strategic objectives;
 - Reliability and integrity of financial and operational information;
 - Effectiveness and efficiency of operations and programmes;
 - Safeguarding of assets; and
 - Compliance with laws, regulations, policies, procedures and contracts.
- Addresses risk consistent with the engagement's objectives and are alert to the existence of other significant risks.
- Incorporates knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.
- Assists management in establishing or improving risk management processes, but refrain from assuming any management responsibility by actually managing risks.

Internal Control (2130)

11.4 Internal Audit assists the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

11.5 Internal Audit evaluates the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;

- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

11.6 Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes.

12 ENGAGEMENT PLANNING (Standard 2200)

Planning Considerations & Engagement Objectives (2201 & 2210)

- 12.1 Audit work is undertaken using a risk based audit approach, which will consider the probability of significant errors, fraud and non-compliance. A preliminary risk assessment will be prepared for each audit engagement to consider the activity's strategies and objectives, the risks of the activity not meeting its objectives, the effectiveness of governance, risk management and control processes. The engagement objectives will be based on the results of this assessment.
- 12.2 For all audit engagements (including engagements for external parties and consulting engagements) a terms of reference will be prepared, discussed and agreed with relevant managers. The terms of reference should establish the objectives, scope and timing for the audit assignment and its resources and reporting requirements.

Engagement Scope & Engagement Resource Allocation (2220 & 2230)

- 12.3 The scope prepared in the terms of reference will consider the relevant systems, records, personnel and premises.
- 12.4 The scope of any engagements will be sufficient to address the objectives. However, if there are any reservations regarding the scope during an engagement, these will be raised with the client and the CIA (or delegated officer) to determine if the scope needs to be amended.
- 12.5 Engagements will be allocated and carried out by Internal Auditors with the right mix of knowledge and skills to effectively complete the engagement. Auditors will be given sufficient resources to undertake the engagement.

Engagement Work Programme (2240)

- 12.6 Work programmes will be developed based on the engagement's objectives. Work programmes will include the process for identifying, analysing, evaluating and documenting the audit work during the engagement.

13 PERFORMING THE ENGAGEMENT (Standard 2300)

- 13.1 Auditors are required to identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives. This evidence supports their conclusions, professional judgements and recommendations and therefore must be factual and accurate. This data is held in compliance with the Councils' retention policies.

13.2 Access to the engagement records will be controlled. The MO will be consulted on the release of all records to external parties.

13.3 Each audit engagement will be overseen by the relevant Audit Manager.

14 COMMUNICATING RESULTS (Standard 2400)

Criteria for Communication (2410)

14.1 The results of all engagements are reported, including the objective, scope, all material facts, conclusions, recommendations, action plans, and any limitations and where appropriate contain the Internal Auditor's opinion. Reports will be issued in a timely manner, in accordance with the Terms of Reference, subsequent to the completion of the work programme. Any significant variance in the timeframe for the report being issued will be agreed by the CIA or DCIA.

14.2 Where results of engagements are realised to external parties a description of the limitations on distribution and use of the results will be included.

14.3 The CIA has the overall responsibility for reviewing and approving the final engagement communication. However, other experienced auditors may be delegated this duty. The CIA must communicate the final reports to the correct officers/Members to ensure that the results are given due consideration.

14.4 Table 1 provides the levels of opinion that can be provided for an audit engagement, with a short description:

Table 1

Opinion	Description
Substantial Assurance	There is a sound control framework which is designed to achieve the service objectives, with key controls being consistently applied.
Reasonable Assurance	Whilst there is basically a sound control framework, there are some weaknesses which may put service objectives at risk.
Partial Assurance	There are weaknesses in the control framework which are putting service objectives at risk.
Minimal Assurance	The control framework is generally poor and as such service objectives are at significant risk.

14.5 Table 2 provides a description of the three priority levels given to recommendations, together with an expected timeframe for implementation; the framework for scoring recommendations is contained within the audit manual.

Table 2

Priority	Description
High	High priority recommendations have actual / potential critical implications for achievement of the Service Unit's objectives and/or a major effect on service delivery.

	Agreed actions should be urgently implemented by the Service Unit and the associated risk(s) added to the Service Unit Risk Register. <i>Recommendations will be followed-up by Internal Audit as they fall due.</i>
Medium	Medium priority recommendations have actual / potential significant implications for achievement of the Service Unit's objectives and/or a significant effect on service delivery. Agreed actions should be implemented by the Service Unit within the agreed timescales and formal consideration should be given to adding the associated risk(s) to the Service Unit Risk Register. <i>Recommendations will be followed-up by Internal Audit as part of the next audit review.</i>
Low	Low priority recommendations have actual / potential minor implications for achievement of the Service Unit's objectives and/or a minor effect on service delivery. It rests with the Service Unit to monitor and implement these actions as deemed appropriate.

- 14.6 Contents of draft reports are discussed with managers to confirm factual accuracy. Significant issues will be brought to the attention of management during the course of engagements to allow for immediate action.
- 14.7 Managers are required to give timely responses to each recommendation, detailing the responsible officer for each action and the target date for completion. Where there is disagreement over the actions to be taken, this is recorded in the action plan with the residual risks highlighted.
- 14.8 All audit opinions are reported to the Audit and Governance Committee. Audit reports with 'Minimal' assurance will be provided in full to the Audit and Governance Committee and 'Partial' assurance audit reports will be provided in a summary format.
- 14.9 Irrespective of the audit opinion, where highlighted risks are deemed to be high, they will be reported to the Statutory Officers Group and the Audit and Governance Committee and where relevant risk registers will be updated.

Errors or Omissions (2421)

- 14.10 If final audit reports contain a significant error, the CIA will communicate the corrected information to all parties who received the original communication.

Engagement Disclosure of Non-conformance (2431)

- 14.11 Where a non-conformance to either the Code of Ethics or the PSIAS impacts on a specific audit engagement, then the communication of the results must disclose the:

- Principle or rule with which full conformance was not achieved.
- Reasons for non-conformance.
- Impact of non-conformance on the engagement and the results.

14.12 Instances of non-conformance will be reported to the Audit and Governance Committee.

Annual Internal Audit Opinion (2450)

14.13 The CIA will prepare an Annual Internal Audit Opinion Report that will be used by the Council to inform the AGS.

14.14 The Annual Internal Audit Opinion Report will conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control by giving an overall opinion, summary of the work undertaken to support this opinion (including any reliance place on work by other assurance providers).

14.15 The Annual Internal Audit Opinion Report will include a statement on the conformance with the PSIAS and the results of the QAIP.

15 MONITORING PROCESS (Standard 2500)

15.1 The CIA will establish a follow-up process to ensure that management actions have been effectively implemented or that Senior Management has accepted the risk of not taking action.

16 COMMUNICATING THE ACCEPTANCE OF RISKS (Standard 2600)

16.1 All accepted risks will be reported to the Statutory Officers Group.

16.2 Where the CIA concludes that management have accepted a risk that may be deemed unacceptable to the Council or have not implemented a high risk action, the CIA must discuss this with the Statutory Officers Group. If the matter has still not been resolved then this must be escalated to the Audit and Governance Committee.

16.3 It is not the CIA's responsibility to resolve the risk.

17 REVIEW OF THE INTERNAL AUDIT CHARTER

17.1 In accordance with the PSIAS this Charter will be reviewed and updated (annually as a minimum) to meet the Council's changing risks and priorities.

Internal Audit Charter proposed by:

CIA Date

Internal Audit Charter approved by:

CFO (Section 151 Officer) Date

Chair of the Audit and Governance Committee Date

GLOSSARY & ACRONYMS

Annual Governance Statement – The purpose of the annual governance statement is for the Council to report publicly on its arrangements for ensuring that its business is conducted in accordance with the law, regulations and proper practices and that public money is safeguarded and properly accounted for. This includes how the authority has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Annual Internal Audit Opinion - The rating, conclusion, and/or other description of results provided by the Chief Internal Auditor addressing, at a committee level, governance, risk management, and/or control processes of the Council. An overall opinion is the professional judgment of the CIA based on the results of a number of individual engagements & other activities for a specific time interval.

Assurance activity - An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the Council. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Audit Engagement - A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Chartered Institute of Internal Auditors - The professional association for internal auditors in the UK and Ireland.

Code of Ethics - The Code of Ethics of The Institute of Internal Auditors (IIA) are principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behaviour expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

CCAB – Consultative Committee of Accountancy Bodies.

CFO – Chief Finance Officer.

CIA – Chief Internal Auditor.

CIIA – Chartered Institute of Internal Auditors.

CIPFA – Chartered Institute of Public Finance and Accountancy.

CMIIA – Chartered Member of the Institute of Internal Auditors.

Consultancy activity - Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve the Council's governance, risk management, and control processes without the internal auditor assuming management responsibility.

Control Environment - The attitude and actions of the board and management regarding the importance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organizational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Controls - Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

DCIA – Deputy Chief Internal Auditor.

Governance - The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the Council toward the achievement of its objectives.

HPS – Head of Paid Service.

ICAEW - Institute of Chartered Accountants in England and Wales.

Internal Audit Charter - The Internal Audit Charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The Internal Audit Charter establishes the internal audit activity's position within the Council; authorises access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

LGAN – Local Government Application Note.

MO – Monitoring Officer.

Public Sector Internal Audit Standards (PSIAS) - The Public Sector Internal Audit Standards:

- define the nature of internal auditing within the UK public sector.
- set basic principles for carrying out internal audit in the UK public sector.
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

QAIP – Quality Assurance and Improvement Programme.

Risk Assessment - A preliminary assessment of the risks relevant to the activity under review.

Risk Management - A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the Council's objectives.

Risks - The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

S151 – Section 151 Officer.

Work programme - The process of collecting, analysing, interpreting, and documenting audit testing during an audit engagement.

2019/20 Core Audit Plan

Audit	(Lead) Area	Adult Social Care			Children's Services			Regeneration & Economy			Environment & Community			Resources					2019/20 Total Days	
		Adult Social Care Services	Adult Social Care - Commissioning & Improvement	Public Health	Children's Social Care	Family & Learning Services	Quality & Commissioning	Growth & Infrastructure	Development	Destination & Culture	Environment	Housing	Communities	Finance	SVPP	Organisational Development	Law & Governance	IT & IS		
Key Assurance Functions (core functions)	Asset Management								20										20	
	Business Continuity													10					10	
	Business Planning & Performance Management														10				10	
	Financial Management (inc MAS)													50					50	
	Health & Safety (incl. Fire Safety)												10						10	
	Human Resources															10			10	
	ICT																	10	10	
	Information Governance																	20		20
	Procurement														20					20
	Project & Programme Management																10			10
	Risk Management														10					10
	Partnerships														10					10
	Total		0	0	0	0	0	0	0	20	0	0	0	10	100	0	30	20	10	190
Key Financial Systems	Council Tax/NDR													15	15				30	
	Housing Benefit													15	15				30	
	Debtors													15	15				30	
	Cashiering Services													10	10				20	
	Social Services Financial Assessments		10													10			20	
	Creditors													30					30	
	Payroll													50					50	
	Treasury Management													30					30	
	Housing Rents												15						15	
	Total		10	0	0	0	0	0	0	0	0	0	15	0	165	65	0	0	0	255
High Level Risks	Corporate/Service Risk Register & other risks		60	55	30	45	45	45	40	40	40	40	40	10	5	10	10	30	585	
	Key Assurance Function risks		5	5	-	5	5	5	5	5	5	5	5	5	5	5	5	5	5	80
	Total		65	60	30	50	50	50	45	45	45	45	45	45	15	10	15	15	35	665
Schools	Family & Learning Services								75										75	
Counter Fraud	Corporate Work (inc. NFI)													50					50	
	Duplicate Payments													24					24	
	Income (Service Unit checks)		5	5	-	5	5	5	5	5	5	5	5	-	-	-	-	-	55	
	Petty Cash (Service Unit checks)		1	1	-	1	1	1	1	1	1	1	1	1	1	1	1	1	1	16
	Recourse to Public Funds		15																	15
Total		21	6	0	6	6	6	6	6	6	6	6	6	75	1	1	1	1	160	
Other	Advice, Follow Ups & Carry Forwards		20	20	0	20	20	20	20	20	20	20	20	15	5	10	10	10	270	
Total	Total Days 2019/20	116	86	30	76	151	76	71	91	71	71	86	81	370	81	56	46	56	1615	
	Overall Total Days 2019/20	232			303			233			238			609						

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Risk Management – Corporate Risk Register Update
Meeting date	25 July 2019
Status	Public Report
Executive Summary	<p>This report updates Members on the position of the Council’s Corporate Risk Register following the quarterly review by the Corporate Management Board. The main changes are as follows:</p> <ul style="list-style-type: none"> • No new risks have been added to the Council’s Corporate Risk Register during the quarter; • The overall risk score on the following risks have been reduced (risk score equals an assessment of the likelihood and impact of the risk occurring) <ul style="list-style-type: none"> ○ CRR04 - Failure to provide adequate IT and cyber security ○ CRR06 - Failure to adequately respond to an incident involving the activation of the emergency plan ○ CRR07 - Failure to provide adequate services as a result of an incident requiring a business continuity response; • Corporate Risk CRR08 has been removed during this quarter; <p>Each of the risks have been reviewed and including the Actions Completed and the Actions Proposed.</p>
Recommendation(s)	<p>It is RECOMMENDED that:</p> <p>Members of the Audit & Governance Committee note the outcome of the Corporate Management Board’s review of the Corporate Risk Register.</p>
Reason for recommendation(s)	<p>To provide assurance that corporate risks are being managed effectively and continue the development of the Council’s arrangements for Risk Management and enhance its governance framework.</p>

Portfolio Holder(s):	Councillor Vikki Slade (Leader of the Council)
Corporate Director	Julian Osgathorpe (Corporate Director Resources)
Contributors	Fiona Manton (Risk & Insurance Manager)
Wards	All
Classification	For Update and Information

Background

1. Risk can be broadly defined as the possibility that an action, issue or activity (including inaction) will lead to a loss or an undesirable outcome. It follows that Risk Management is about the identification, assessment and prioritisation of risks followed by coordinated control of the probability and impact of that risk.
2. In accordance with the Financial Regulations and the Risk Management Strategy, the Audit and Governance Committee are specifically responsible for ensuring appropriate and effective risk management processes. In practice, this means that the Committee Members must assure themselves that the Council's Risk Management Framework is appropriate and operating effectively. The Council's Corporate Risk Register is a key element of this framework and is reviewed and updated on a quarterly basis.
3. In line with the decision making framework in place for BCP Council it was agreed that effective from Day 1, BCP Council would, as an interim measure, adopt the legacy Bournemouth Risk Management Framework. The scoring matrix in this framework was adjusted to reflect the increased remit of the new authority. A revised Risk Management Framework for BCP Council will be developed as part of Phase 3 arrangements.
4. In addition to the quarterly reviews, in immediate practical terms, the Corporate Management Board continues to monitor risks and ensure appropriate and proportionate mitigating actions continue and evolve as risks change.

Review of Corporate Risks

5. In March 2019 the Corporate Risk Registers of Bournemouth, Christchurch, Poole and Dorset County Council (legacy Councils) were combined into one document for review by the Corporate Management Board. This review considered each risk and identified those to be included in the initial Day 1 Corporate Risk Register for BCP Council.
6. This Corporate Risk Register is enclosed at Appendix 1 to inform Members of the Corporate Risks, the risk scores, direction of travel and details of key mitigations.

Changes in Risk During Quarter 1 – 2019/20

7. In addition to the creation of the Day 1 Corporate Risk Register, Corporate Management Board have reviewed the Risk Register and updates on the risks are summarised in Appendix 1 as Actions Completed and Actions Proposed
8. In addition, the following is reported:
 - No new risks were added during the quarter;
 - Corporate Risk 4 - Failure to provide adequate IT and cyber security has been reviewed and taking into consideration the arrangements in place both the gross and net scores have been reduced;
 - Corporate Risk 6 - Failure to adequately respond to an incident involving the activation of the emergency plan has been reviewed and taking into consideration the new BCP Council arrangements, as required by the Structural Change Order, both the gross and net scores have been reduced;
 - Corporate Risk 7 - Failure to provide adequate services as a result of an incident requiring a business continuity response has been reviewed by the risk lead and the risk scores have been revised. Both the gross and net risk scores have been reduced to reflect the arrangements in place;
 - Corporate Risk 8 - Inability to run an election/referendum was discussed by the Corporate Management Board and concluded that the current level of the risk was such that the residual risk would be managed within the appropriate service risk management arrangements. Consequently risk CRR08 is removed from the risk register.
9. Corporate Management Board continue to monitor the risk position in relation to the potential impact of organisational change on BCP Council following local government reorganisation.

Summary of Financial Implications

10. Financial implications relevant to risks are detailed within the relevant risk registers.

Summary of Legal Implications

11. There are no direct legal implications from this report.

Summary of Human Resource Implications

12. There are no direct human resources implications from this report.

Summary of Environmental Impact

13. There are no direct environmental implications from this report.

Summary of Public Health Implications

14. There are no direct Public Health implications from this report.

Summary of Equality Implications

15. There are no direct equality implications from this report.

Summary of Risk Assessment

16. The risk management implications are set out within the content of this report.

Background Papers

None

Appendices






Appendix 1 - Corporate Risk Register Update Q1 -2019/2020



BCP Council
AUDIT & GOVERNANCE COMMITTEE
25 JULY 2019

CORPORATE RISK REGISTER UPDATE Q1 - 2019/20



1. UPDATES / CHANGES TO THE CORPORATE RISK REGISTER

- 1.1 The Corporate Risk Register (CRR) is updated quarterly and this is the first review for BCP Council.
 1.2 Mitigation actions and significant changes this quarter are detailed below.
 1.3 The table below is a key to arrow directions and colours used.

RISK DIRECTION OF TRAVEL STATUS		MITIGATIONS AND ACTIONS STATUS	
	Risk impact or likelihood has <u>increased</u> since last review.		Mitigations <u>remain robust and actions are on track</u> since the last review.
	Risk impact or likelihood has <u>decreased</u> since last review.		Mitigations are <u>less robust and/or actions are not on track and/or actions have not progressed significantly</u> since last review.
	There is <u>no change</u> to the risk impact or likelihood		



RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS *	MITIGATIONS & ACTIONS STATUS	KEY MITIGATIONS AND ACTION NOTES
CR1	Failure to respond to the needs arising from a changing demography	12	12			<p>Risk Owner: Chief Executive</p> <p>Key Mitigations</p> <p>Adults & Children</p> <ul style="list-style-type: none"> • Understanding needs by joint needs assessment across the integrated care system including health, public health, adult social care, children's social care • Developing early identification of needs • Working with communities • Working with the new primary care networks of GP's to understand populations and needs • Utilising MTFP to use money to facilitate greater independence • Focusing on carers and providing supporting governance system • Creating a new and effective partnership infrastructure and joint commissioning approach • Reviewing & developing effective early hep and youth services <p>Actions Completed During Qtr 1</p> <ul style="list-style-type: none"> • Children's Services - Learning partnership, school forum for BCP Council <p>Actions Proposed During Qtr 2</p> <ul style="list-style-type: none"> • Children's Social Care - Working to create a new and effective partnership infrastructure and joint commissioning approach • Work underway on Fair access for school places • Submit bid to DfE Innovation Programme

*From legacy council position where applicable

RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS *	MITIGATIONS & ACTIONS STATUS	KEY MITIGATIONS AND ACTION NOTES
CR2	Failure to deliver effective safeguarding arrangements & improved outcomes for children	16	12			<p>Risk Owner: Chief Executive</p> <p>Key Mitigations</p> <p>Adults & Children</p> <ul style="list-style-type: none"> • Clear pan Dorset multi agency procedure for safeguarding • Clear and simplified governance of multi-agency arrangements • Audit & evaluation of quality of practice & decision making both multi agency and as a Council • Comprehensive training & development on all aspects of safeguarding • Adequately resourced at both management & practice level • Learning from case reviews, embedding & testing • LGA Peer reviews • Chief Executive & Corporate Director clear line of sight on issues <p>Adult Social Care</p> <ul style="list-style-type: none"> • Scrutiny testing • Joint contract arrangements in place for legacy BBC & BoP • Contract monitoring in place <p>Children's Services</p> <ul style="list-style-type: none"> • Robust improvement plan to be developed • Redesign of services in social care to deliver clear line of sight <p>Actions Completed During Qtr 1</p> <ul style="list-style-type: none"> • Adult Social Care - Working with recruitment agency to recruit additional staff



*From legacy council position where applicable

					<ul style="list-style-type: none"> • Children's Services – new Safeguarding Children's Partnership arrangements go live 1 August 2019 • Children's Services & Adults – First Health and Wellbeing Board for BCP Council in July 2019 • Children's Services – In July 2019 BCP Council will establish Corporate Parenting Board • Children's Services – Learning partnership, school forum for BCP Council <p>Actions Proposed During Qtr 2</p> <ul style="list-style-type: none"> • Adult Social Care - Corporate Safeguarding Statement for BCP Council to be agreed in September 2019 • Adult Social Care - Corporate Director leading with Health, Dorset Council & police partners to commission an independent review in Aug/Oct 2019 of Safeguarding Adults Board • Adult Social Care - Timeliness targets to be developed in relation to case management • Adult Social Care - Proposals for arrangements for Multi Agency Risk Assessment Conferences • Adult Social Care - Develop a project plan & assess level of resources to deliver new legislation • Children's Services - Working to create a new and effective partnership infrastructure and joint commissioning approach • Children's Services - Work underway on Fair access for school places • Children's Services - New Quality Assurance Framework for BCP Council will be adopted • Children's Services - Draft Children in Care Strategy for BCP Council • Children's Services – Develop & adopt Workforce Strategy • Children's Services – Develop & adopt SEND Strategy • Children's Services – Develop & adopt CSE Strategy • Children's Services - Develop & adopt Strategic Partnership Board for SEND
--	--	--	--	--	--



RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS *	MITIGATIONS & ACTIONS STATUS	KEY MITIGATIONS AND ACTION NOTES
CR3	Failure to ensure adequate Information Governance	12	9			<p>Risk Owner: Corporate Director of Resources</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> • BCP Information Governance Accountability Framework adopted, which includes assignment of key roles: <ul style="list-style-type: none"> ○ Senior Information Risk Owner ○ Deputy Senior Information Risk Owner ○ Caldicott Guardian ○ Data Protection Officer (in line with GDPR/DPA 2018 requirements) ○ Information Asset Owners ○ Information Asset Managers ○ Information Asset Advisors (IAA) • New BCP Information Governance Board (IGB) agreed, TOR revised, first meeting to be held in October 2019 – Board will meet quarterly • Updated comprehensive BCP IG training programme in place • Mandatory IG training for staff and elected members • New Cyber Security training sessions developed • Key IG guidance updated and available on BCP intranet facilities • Regular communications to IAA staff on new guidance • Provision of IG performance management information to Information Asset Owners and Information Asset Advisors • Business continuity testing • BCP breach reporting process adopted and implemented • Regular internal audit of IG accountability framework, policy, guidance • Information Asset Registers being developed by BCP service delivery areas

*From legacy council position where applicable



						<ul style="list-style-type: none"> • BCP Privacy Impact Assessment (PIA) template, guidance and process in place • Strong governance system • Preceding IT infrastructures provide strong technical security • During the period of transition infrastructures will be maintained <p>Actions Completed During Qtr 1</p> <ul style="list-style-type: none"> • Training delivered to elected members, new and existing, following LGR • New Cybersecurity training developed and delivery in progress • BCP Privacy Notice developed and uploaded to BCP website(s) and updated template and guidance for service delivery areas • Single Requests For Information Tracker in use effective from 1/4/19 • Targeted training delivered to BCP IAA network <p>Actions Proposed During Qtr 2</p> <ul style="list-style-type: none"> • Assess the opportunities to strengthen current arrangements further
--	--	--	--	--	--	--

RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS *	MITIGATIONS & ACTIONS STATUS	KEY MITIGATIONS AND ACTION NOTES
CR4	Failure to provide adequate IT and cyber security	12	6			<p>Risk Owner: Corporate Director of Resources</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> • Each legacy Council had a strong infrastructure • Physical premises security • Physical data security • Encryption • Regular scanning • Multi layered security approach • Active security incident response team • Constant review of latest threats and their vectors • Regular patching and upgrades • Dedicated cyber security officer <p>Actions Completed During Qtr 1</p> <ul style="list-style-type: none"> • Public Sector Network Compliance (PSNC) Certificate applied for and issued for proceeding authorities <p>Actions Proposed During Qtr 2</p> <ul style="list-style-type: none"> • Progress action items identified following PSNC process • The BCP infrastructure will be designed and built with embedded security

*From legacy council position where applicable



RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS *	MITIGATIONS & ACTIONS STATUS	KEY MITIGATIONS AND ACTION NOTES
CR5	Failure to plan effectively Brexit	12	8			<p>Risk Owner: Chief Executive</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> • Take part in emergency planning and response operated by the Dorset LRF in the event of the UK leaving the EU without a 'deal' • Respond to government requests for information about preparations to initiate the impact of a 'No Deal' Brexit specific to Council activities such as port health • Communicate information about the EU Citizens Settlement Scheme to EU citizens living in Poole <p>Actions Completed During Qtr 1</p> <ul style="list-style-type: none"> • In line with national directives BCP and partners have completed all initial Brexit planning requirements and we are preparing for further announcements as the political position develops <p>Actions Proposed During Qtr 2</p> <ul style="list-style-type: none"> • To follow any national directives or requirements as published.

*From legacy council position where applicable



RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS*	MITIGATIONS & ACTIONS STATUS	KEY MITIGATIONS AND ACTION NOTES
CR6	Failure to adequately respond to an incident involving the activation of the emergency plan	8	8			<p>Risk Owner: Corporate Director of Resources</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> • BCP corporate emergency plan, legacy emergency plans and county-wide LRF multi-agency plans • In-house team of emergency planning and business continuity professionals • Partnership working with Local Resilience Forum • Funded multi-agency partnership to support and facilitate multi-agency working - the Dorset Civil Contingencies Unit (CCU) • Corporate Resilience Champion - Chief Executive, and Deputy Corporate Resilience Champion - Corporate Director Environment & Economy • BCP Duty Gold rota in place • Legacy Silver Duty and Duty Emergency Planning Officer rotas in place • Access to the LRF training programme delivered by the CCU in order to ensure ongoing role familiarisation • BCP corporate business continuity plan and legacy business continuity arrangements to respond to and mitigate the effects of a business continuity disruption <p>Actions Completed During Qtr 1</p> <ul style="list-style-type: none"> • Maintaining a business as usual service • Participating in on-going multi-agency work to support BCP Council preparedness and response • Putting in place Memorandum of Understanding for reception centres across BCP Council

*From legacy council position where applicable



					<ul style="list-style-type: none">• Training for Christchurch geographical staff for reception centre responses• Participation in Safety Advisory Groups for events across BCP Council• Responding to major incident in geographical area Bournemouth <p>Actions Proposed During Qtr 2</p> <ul style="list-style-type: none">• Maintain a business as usual service including responses to any incidents• Tabletop exercise for Corporate Management Board to test the new strategic level and corporate emergency plan - arranged for July 2019
--	--	--	--	--	---

RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS*	MITIGATIONS & ACTIONS STATUS	KEY MITIGATIONS AND ACTION NOTES
CR7	Failure to provide adequate services as a result of an incident requiring a business continuity response	8	6			<p>Risk Owner: Corporate Director of Resources</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> • BCP corporate level business continuity plan • Legacy preceding council business continuity plans and arrangements • Legacy Disaster Recovery Plans • BCP Duty Gold rota in place • Corporate Resilience Champion - Chief Executive, and Deputy Corporate Resilience Champion - Corporate Director Environment & Economy identified • Multi-disciplinary project with IT Security, Emergency Planning, Information Governance and Learning and Development to promote cyber security <p>Actions Completed During Qtr 1</p> <ul style="list-style-type: none"> • Accredited training for key staff • Supporting services that are reviewing plans <p>Actions Proposed During Qtr 2</p> <ul style="list-style-type: none"> • Continue to support services • Further training for staff



*From legacy council position where applicable

RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS*	MITIGATIONS & ACTIONS STATUS	KEY MITIGATIONS AND ACTION NOTES
CR8	Inability to run an election/ referendum	16	8			<p>Risk Owner: Chief Executive</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> • Checklists and procedures in place • Project plan / risk register / contingency plan in place for each election • Experienced team • Training for Returning Officer <p>Update</p> <p>Risk removed from Corporate Risk Register following May 2019 Elections. Risk retained at a service level for future consideration.</p>

*From legacy council position where applicable

RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS*	MITIGATIONS & ACTIONS STATUS	KEY MITIGATIONS AND ACTION NOTES
CR9	Failure to maintain a safe and balanced budget for the delivery of services	16	8			<p>Risk Owner: Director of Finance</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> • Medium Term Financial Planning (MTFP) approach including forward planning based on forecasts both of Central Government funding expectation and service demand • Quarterly budget monitoring • Budget monitoring reports are considered regularly by Cabinet • Regular financial forecast updates to Corporate Management Board • Oversight from Local Government Association & External Audit • Capital Investment Strategy - Non Treasury • Overview & Scrutiny Board in place to scrutinise the quarterly budget monitoring and MTFP update reports presented in year • BCP Shadow Authority approved Reserves Strategy, Capital Strategy and Treasury Management Strategy <p>Actions Completed During Qtr 1</p> <ul style="list-style-type: none"> • The Council's Financial Strategy was approved by Cabinet on 12 June 2019. <p>Actions Proposed During Qtr 2</p> <ul style="list-style-type: none"> • Quarter 2 budget monitoring • Settlement of DCC 31 March 2019 balance sheet position • Establish base budget review process

*From legacy council position where applicable

RISK REF	RISK DESCRIPTION	GROSS RISK SCORE	NET RISK SCORE	RISK DIRECTION OF TRAVEL STATUS*	MITIGATIONS & ACTIONS STATUS	KEY MITIGATIONS AND ACTION NOTES
CR10	Failure to deliver effective health and safety to protect staff, councillors and the public	16	12			<p>Risk Owner: Corporate Director of Environment & Community</p> <p>Key Mitigations</p> <ul style="list-style-type: none"> • The Chief Executive Chairs the BCP Health and Safety Board to develop and maintain a strong corporate standard for BCP Council and the cascade governance framework • Over-arching Corporate Health & Safety Policy • Corporate Health & Safety resource arrangements maintained in legacy Councils • Health & Safety Training modules within induction process (e-learning modules) <p>Actions Completed During Qtr 1</p> <ul style="list-style-type: none"> • New governance framework for Corporate Health and Safety and Fire Safety • Continuation of service provision through legacy Council arrangements • Preparation for structure change in relation to the position of the service in BCP Council (which will be in Communities service area) <p>Actions Proposed During Qtr 2</p> <ul style="list-style-type: none"> • Review the position with health and fire safety training in the induction process • Consider and implement arrangements for health and fire safety training for flexible working arrangements between sites • Housing and Property Compliance report across BCP Council underway • Corporate fleet management being implemented across BCP Council • Assessment and analysis of training needs

*From legacy council position where applicable



AUDIT AND GOVERNANCE COMMITTEE

Report subject	Forward Plan 2019/20
Meeting date	25 July 2019
Status	Public Report
Executive Summary	This report sets out the core reports to be received by the Audit & Governance Committee for the 2019/20 financial year in order to enable it to fulfil its terms of reference.
Recommendation(s)	It is RECOMMENDED that: The Audit & Governance Committee approves the forward plan set out at Appendix A.
Reason for recommendation(s)	To ensure that Members of the Audit & Governance Committee are fully informed of the core reports to be considered during 2019/20.

Portfolio Holder(s):	Councillor Vikki Slade (Leader of the Council)
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Contributors	Nigel Stannard (Head of Audit & Management Assurance) Simon Milne (Deputy Chief Internal Auditor)
Wards	All Wards
Classification	For Recommendation Approval

Background

1. Good practice dictates that a forward plan should be agreed which sets out the reports which will be considered by the Audit & Governance Committee over the next 12 months.

The Forward Plan

2. The forward plan set out at Appendix A has been developed through discussion with the Chair and Vice Chair of the Audit & Governance Committee, the S151 Officer and the Council's external auditors. The plan sets out proposals for the forward management of core reports to be considered by the Audit & Governance Committee in order to enable it to fulfil its terms of reference.
3. The Audit & Governance Committee should note that the plan does not preclude extraordinary items being brought before the Committee in consultation with the Chair and Vice Chair as necessary and appropriate, thus ensuring that the Audit & Governance Committee business is consistent with the requirements of the Council's Financial Regulations.

Consultation

4. Consultation involved in the Chair and Vice Chair of the Audit & Governance Committee, the S151 Officer and the Council's external Auditors.

Summary of Financial Implications

5. There are no direct financial implications from this report.

Summary of Legal Implications

6. There are no direct legal implications from this report.

Summary of Human Resource Implications

7. There are no direct human resource implications from this report.

Summary of Environmental Impact

8. There are no direct environmental implications from this report.

Summary of Public Health Implications

9. There are no public health implications from this report.

Summary of Equality Implications

10. There are no direct equality implications from this report.

Summary of Risk Assessment

11. The risk implications are as set out in the report.

Background Papers

12. None.

Appendices

Appendix A – Audit & Governance Committee Forward Plan 2019/20

Appendix A
Audit & Governance Committee Forward Plan 2019/20

REPORT	JULY 2019 (this Committee)	OCT 2019	JAN 2020	APRIL 2020
ANNUAL REPORTS				
Statement of Accounts 2018/19	✓			
Chief Internal Auditor's Annual Opinion Report 2018/19	✓			
Annual Governance Statement 2018/19 (* update on Action Plan)	✓		✓*	
Annual Breaches, Waivers & Exemptions Report 2018/19	✓			
Annual Review of Register of Declarations of Outside Interests & Receipts of Gifts & Hospitality by Officers 2018/19	✓			
Use of Regulation of Investigatory Powers Annual Report (including Report of the Office of Surveillance Commissioner) 2018/19	✓			
Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2018/19		✓		
Local Government and Social Care Ombudsman Annual Report 2018/19		✓		
Equality & Diversity Annual Report 2018/19		✓		
Treasury Management Policy Refresh/Approval for next financial year			✓	
Internal Audit Charter & Audit Plan for next financial year			✓	
Emergency Planning and Business Continuity Update		✓		
Information Governance Update			✓	
Health & Safety Update			✓	
Fire Safety Update			✓	
QUARTERLY/HALF YEARLY REPORTS				
Internal Audit - Quarterly Audit Plan Update (** to include Audit Charter & Audit Plan for 2019/20)	✓**	✓	✓	✓
Risk Management – Corporate Risk Register Update	✓	✓	✓	✓
Forward Plan (refresh)	✓	✓	✓	✓
Treasury Management Monitoring Report		✓		✓
AD HOC REPORTS				
Response to deputation made by the Chairman of Kinson Community Association at the Audit & Governance Committee 16/1/19	✓			
Local Code of Governance 6 month review (thereafter included in Annual Governance Statement Annual Report above)		✓		
Other – To be agreed				
EXTERNAL AUDIT REPORTS				
External Auditor – Audit Findings Report 2018/19	✓			
External Auditor – Annual Audit Fee 2019/20 (***) delayed from July – awaiting fee from Public Sector Audit Appointments)		✓***		
External Auditor – Annual Audit Letter 2018/19		✓		
External Auditor – Certification of Claims and Returns 2018/19			✓	
External Auditor – Audit Plan 2019/20 (**** 2018/19 Audit Plans for legacy Councils - for information only)	✓****			✓
External Auditor – Audit Progress & Sector Update		✓	✓	✓