

Notice of Audit and Governance Committee

Date: Thursday, 10 October 2019 at 6.00 pm

Venue: Civic Centre, Poole BH15 2RU



Membership:

Chairman:

Cllr J Beesley

Vice Chairman:

Cllr L Williams

Cllr M Andrews

Cllr S Bartlett

Cllr D Butt

Cllr M Cox

Cllr B Dunlop

Cllr S McCormack

Cllr M White

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

2 October 2019



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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 and the Council's Code of Conduct regarding Disclosable Pecuniary Interests.

Councillors are also required to disclose any other interests where a Councillor is a member of an external body or organisation where that membership involves a position of control or significant influence, including bodies to which the Council has made the appointment in line with the Council's Code of Conduct.

Declarations received will be reported at the meeting.

4. **Confirmation of Minutes**

To confirm and sign as a correct record the minutes of the Meeting held on 25th July 2019.

7 - 14

5. **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.bcpCouncil.gov.uk/documents/s2305/Public%20Items%20-%20Meeting%20Procedure%20Rules.pdf>

The deadline for the submission of public questions is 3rd October 2019.

The deadline for the submission of a statement is 12.00 noon, 9th October 2019.

The deadline for the submission of a petition is 12.00 noon, 9th October 2019.

6.	Independent Investigation and Response to a Deputation regarding Kinson Community Centre	15 - 90
	<p>This report is a continuation of the full report provided to Audit and Governance Committee on 25th July 2019. The committee at that time requested that a further report was presented which provided Members with the full investigation reports relating to these complaints. The investigation reports are attached as appendices to this report. In addition, the committee requested that officers seek a formal response from KCA regarding both the findings of the complaint investigations and also to the Council's response to their deputations, which were all fully outlined in the report of 25th July 2019.</p> <p>The report summarises the position and reiterates the commitment to fostering positive relationships with KCA, in particular, through mediation which was a key recommendation from the independent investigations.</p>	
7.	Local Government and Social Care Ombudsman Annual Reports 2018/19	91 - 102
	<p>The Local Government and Social Care Ombudsman (LGSCO) provides an independent and impartial service to investigate complaints about Councils, or actions taken by another body on behalf of the Council.</p> <p>The LGSCO prepare an annual report for local authorities summarising the numbers of enquiries they have received, the number of investigations they have undertaken and the decisions they have made.</p> <p>For 2018/19 there were three individual reports for the legacy councils of Bournemouth, Christchurch and Poole.</p> <p>There was a reduction in the number of enquiries received by the LGSCO from 2017/18 across the three legacy councils, but the number of upheld complaints rose slightly.</p> <p>However, there are no major concerns relating to the LGSCO findings.</p>	
8.	Treasury Management Monitoring report for the period April to August 2019	103 - 110
	<p>This report sets out the monitoring of the Council's Treasury Management function for the period 1 April 2019 to 31 August 2019.</p>	
9.	BCP Council Investment to Support the One Dorset Pathology Unit	111 - 120
	<p>A report on a BCP Council investment to support the One Dorset Pathology Unit was presented to Cabinet on 11th September 2019.</p> <p>The report requested Cabinet to recommend to Council approval of a £14.9m investment, extend the Councils schedule of approved counterparties for investments, delegate further terms of the investment to the Chief Finance Officer and authorise the Monitoring Officer to draw up and enter a suitable legal agreement.</p> <p>The report to Cabinet also requested that the Audit & Governance Committee be asked to consider the report and make any further recommendations for Council consideration</p>	
10.	Emergency Planning and Business Continuity Update	121 - 132
	BCP Council has effective emergency planning and business continuity	

arrangements in place in accordance with the Civil Contingencies Act 2004 (CCA).

BCP Council has used risk/planning assumptions to prepare as far as is practical for any impacts of the United Kingdom leaving the EU. These risks/planning assumptions are not a prediction of what may happen but reflect a responsible organisation preparing for reasonable worst-case scenarios.

BCP Council has worked with Local Resilience Forum partners to collaborate and coordinate activities.

11. Internal Audit Plan Update - April to September 2019/20

133 - 140

This report details progress made on delivery of the 2019/20 Audit Plan for the period 1 July to 30 September 2019. The report highlights that:

- Three audit assignments have been completed (two 'Reasonable' and one 'Partial' audit opinions);
- Thirty-three audit assignments are in progress;
- The implementation of audit recommendations by management is satisfactory;
- Two Whistleblowing investigations are on-going.

12. Risk Management – Corporate Risk Register Update

141 - 160

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:

- No new risks have been added to the Council's Corporate Risk Register during the quarter;
- 1.
- There have no changes to risks scores during the quarter; Each of the risks have been reviewed including the Actions Completed and the Actions Proposed.

13. Update on the BCP Council Local Code of Governance

161 - 178

The Local Code of Governance needs on-going updates to keep pace with the changes to BCP governance arrangements following adoption of BCP specific policies, arrangements and procedures.

14. External Audit - Audit Finding Reports 2018/19 for Bournemouth and Poole Legacy Councils

179 - 250

The attached reports set out the updated findings of the Councils' External Auditor following their audit of Bournemouth and Poole legacy Councils' Statement of Accounts 2018/2019. The key points to note are that Grant Thornton have provided an unqualified opinion on the financial statements for Bournemouth and Poole legacy Councils; and that Grant Thornton were satisfied that, in all significant respects, the Bournemouth and Poole legacy

Councils had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources, and therefore have issued unqualified value for money conclusions.

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| 15. External Audit - Annual Audit Letter Year Ending 31 March 2019 for the three legacy Councils (Bournemouth, Christchurch and Poole Councils) | 251 - 298 |
| <p>The attached reports summarise the key findings arising from the work of the Councils' external auditor at the three legacy Councils for the year ending 31 March 2019. The key points to note are that Grant Thornton provided 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> | |
| 16. External Audit - External Audit Reform | 299 - 314 |
| <p>To ensure that Audit & Governance Committee are informed of national developments on external audit reform.</p> | |
| 17. Review of the Constitution and future Audit and Governance Committee Programme. | 315 - 318 |
| <p>To set out a process for review of the Constitution and to identify and consider priorities for the Committee over the forthcoming Forward Plan period.</p> | |
| 18. Forward Plan 2019/20 | 319 - 322 |
| <p>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.</p> | |
| 19. Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2018/19 | 323 - 332 |
| <p>This report details counter fraud work carried out by Internal Audit to provide assurance on the legacy Councils response to combating fraud & corruption.</p> <p>Internal Audit have investigated all allegations of suspected fraud or irregularity in a proportionate manner.</p> <p>The following number of whistleblowing referrals for the three legacy Councils were received and investigated by Internal Audit during 2018/19.</p> | |

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.

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BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL
AUDIT AND GOVERNANCE COMMITTEE

Minutes of the Meeting held on 25 July 2019 at 6.00 pm

Present:-

Present: Cllr M Andrews, Cllr S Bartlett, Cllr J Beesley, Cllr D Butt, Cllr M Cox, Cllr B Dunlop, Cllr S McCormack, Cllr M White and Cllr L Williams

Also in attendance: Cllr D Brown (Portfolio Holder for Finance), Cllr G Farquhar and Cllr V Slade (Leader of Council)

Graham Farrant (Chief Executive), Matthew Filmer (Finance Manager), Julian Osgathorpe (Corporate Director of Resources), Daniel Povey (Acting Assistance Chief Finance Officer), Adam Richens (Service Director (Finance) and Section 151 Officer) and Nigel Stannard (Head of Audit and Management Assurance)

Mr P Dossett (Grant Thornton (External Auditors)) and S Harding (Grant Thornton (External Auditors))

1. Apologies

There were no apologies for absence.

2. Substitute Members

There were no substitutions.

3. Declarations of Interests

Cllr D Brown, Portfolio Holder for Finance, declared an interest in Agenda Item 6 arising from his Chairmanship (including at the time when the deputation was initially submitted) of the Kinson Community Association.

Cllr M Cox declared his employment as a Chartered Accountant and Auditor.

There were no declarations of disclosable pecuniary interest.

Cllr M Andrews presided for the following item.

4. Election of Chairman of the Audit and Governance Committee

RESOLVED that Cllr J Beesley be elected Chairman of the Audit and Governance Committee for the period until the first meeting of the Committee in the Municipal Year 2020/21.

Cllr J Beesley in the Chair.

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

RESOLVED that Cllr L Williams be elected Vice-Chairman of the Audit and Governance Committee for the period until the first meeting of the Committee in the Municipal Year 2020/21.

6. Public Issues

The following statement from a member of the public, Vicky Moss, was read out to the Committee:

‘On behalf of the Branksome Park and Canford Cliffs Residents Association, I would like to express concern that the E-Petition facility offered by the former Borough of Poole Council has been disabled for nearly 5 months.

An E-Petition submitted in early March 2019, to request a Traffic Survey in the Branksome Park and Canford Cliffs Area following concerns over lack of pedestrian accessibility and safety and along the footpaths that transverse thoroughfares such as Western Rd/The Avenue, was rejected on the grounds that Poole Council would cease to exist in one month.

The E-Petition facility is an essential tool in allowing a Community’s voice to be heard. We have grave concerns over pedestrian safety in this area and the requests of individuals for a Traffic Survey to the Transportation Department have so far been ignored.

Please advise when the BCP E-Petition facility will be up and running.’

The Committee noted that the statement would be passed on to the appropriate department within the Council and any report back necessary be made to the Committee.

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

A comprehensive report of responses to a deputation in three parts made in January 2019 to the predecessor Bournemouth Borough Council was presented for consideration by the Committee. The arrangements in place for audit and oversight of the function, including changes made since receipt of the deputation, were set out and explained.

Members questioned the background and context around the issues raised and it was explained that the Community Centre was operated by a Board of Trustees forming the KCA and that Bournemouth Borough Council had no day to day management or control but was the landlord. The Council did provide payroll services to the Association, the employee involved was

managed by the Trustees and no payments could be made without direct and explicit approval of a Trustee.

In response to questions from the Committee there was acceptance that, in transferring undertakings of this kind in the future, the nature of roles and responsibilities being transferred should be more specifically set out.

There was also particular discussion around allegations of fraudulent activity and the circumstances within which the service manager in 2014 took the view that the Council's Anti-Fraud and Corruption Policy did not apply were explained. It was the Bournemouth Borough Council view, and this was communicated to the KCA, that if KCA believed fraudulent activity had taken place, they should inform the Police.

In an attempt to bring the various range of matters to a satisfactory conclusion during the 2018/19 financial year, it was reported that the Managing Director of Bournemouth Borough Council, in consultation with the Chairman of the Community Association, commissioned an independent and specialist report. The outcome was a set of findings that found allegations of fraud unsubstantiated but made two recommendations relating to the rebuilding of effective working relationships going forward.

RESOLVED that:-

- (a) in respect of 'Questions 1 and 2' as submitted by the Kinson Community Association and reported to the Committee, the responses be noted and no further action be taken;**
- (b) in respect of 'Question 3' as submitted, the Head of Audit and Management Assurance be instructed to request a copy of the Independent Investigation Report and to also seek a formal response in writing from the Community Association and that another report be brought back to the next meeting of the Audit and Governance Committee to determine any further action;**
- (c) in the meantime, the Committee note the actions proposed to foster improved landlord (Bournemouth, Christchurch and Poole Council) and tenant (Kinson Community Association) relations and to improve working relationships going forward.**

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

It was reported that the three BCP legacy Councils had not made use of RIPA powers during the 2018/19 financial year.

RESOLVED that the Committee note that the three Bournemouth, Christchurch and Poole legacy Councils had not made use of powers under the Regulation of Powers Act during the financial year 2018/19.

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

The Committee received the schedule of breaches, waivers and exemptions which had occurred in respect of the three BCP legacy Councils during the 2018/19 financial year and the levels reported were generally indicative of a good level of understanding of the Regulations by managers and Officers. It was explained that only the Chief Finance Officer was authorised to approve exemptions under these Regulations.

Members were provided with detailed explanations relating to significant waivers and invited to raise in writing any specific questions directly with the Head of Audit and Management Assurance.

RESOLVED that the Committee note the breaches, waivers and exemptions of Financial Regulations that occurred during the financial year 2018/19 as reported in respect of the three Bournemouth, Christchurch and Poole legacy Councils.

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

The Committee received the Chief Internal Auditor's Annual Reports and opinions in respect of the three BCP legacy Councils during the 2018/19 financial year and it was explained that the report was produced in compliance with the Public Sector Internal Audit Standards. The reports had also been considered and discussed by the respective legacy Council Audit Committees throughout the year. In summary, the Internal Auditor was satisfied that there was an adequate and effective internal control environment in place and that the Audit service was effective and compliant.

Members raised questions on some specific aspects of the legacy Council reports and assurances were provided in response.

RESOLVED that the 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 BCP legacy Councils.

11. Annual Governance Statement 2018-2019 - for the three legacy Councils, Bournemouth, Christchurch and Poole

The approval of the Committee was sought to the Annual Governance Statements for 2018/19 in respect of the three BCP legacy Councils and it was explained that the Statements were required by Audit Regulations to accompany the Statement of Accounts. The various elements required to be addressed were set out and described and it was reported that, after examination of sources of assurance, a small number of significant governance issues had been identified. An Action Plan to address these issues was presented to the Committee and it was confirmed that the issues continued to have relevance to the new BCP Council.

RESOLVED that:-

- (a) the Committee approve the Annual Governance Statements for 2018/19 for each of the three BCP legacy Councils and the Leader and the Chief Executive be requested formally to sign off the Statements;**
- (b) the Committee approve the BCP Council Action Plan to address the significant governance issues identified and a progress report be presented to the January 2020 meeting of the Audit and Governance Committee.**

12. External Audit Plans 2018/19 for the three legacy Councils (Bournemouth, Christchurch and Poole Councils)

At the specific request of External Auditors, Grant Thornton, the BCP Council Audit and Governance Committee received copies of the External Audit Plans as previously agreed by the respective three legacy Councils. This was considered necessary prior to the External Auditors presenting their opinion on the accounts at the next item on the Agenda.

The opportunity was taken to explain the context of the role of External Audit for the benefit of Councillors new to the Committee. The External Auditor replied to questions about specific parts of the Plans.

RESOLVED that the Committee note the Grant Thornton External Audit Plans 2018/19 for each of the three BCP legacy Councils.

13. External Audit - Audit Findings Reports 2018/19 for the three legacy Councils (Bournemouth, Christchurch and Poole Councils)

The Committee had received the 31st March 2019 Grant Thornton Audit Findings Reports for each of the three BCP Council legacy Councils and it was explained that the External Auditor was required to report whether, in their opinion, the financial statements presented a true and fair view of the Councils' financial positions.

Councillors were advised of the scheduled dates for publishing the audited accounts and for publishing the Auditor's statement of opinion.

It was reported that whilst it was expected to conclude the audits for Christchurch Borough Council and for Borough of Poole Council by 31st July, the audit for Bournemouth Borough Council was likely to be delayed whilst some complex valuation audits were being undertaken. It was explained that this was not uncommon and especially in view of the complexity of the issues involved and in the context of the Structural Review of the legacy Councils. It was also confirmed that the outstanding issues did not involve anything that gave rise to concerns about governance or were such that would have an impact upon Council Tax.

RESOLVED that the Committee note the position regarding the audit opinion and findings of the Councils' External Auditor following their audit of the three legacy Councils' statements of accounts for 2018/19.

14. Statement of Accounts 2018/19

The Chief Finance Officer presented to the Committee the Statements of Accounts for the 2018/19 financial year in respect of the three BCP legacy Councils. As set out in the previous agenda item, it was further explained that, although now substantially complete, the final stages of audit work around asset valuations in the Bournemouth Borough Council legacy accounts had not been completed. The two additional tasks remaining outstanding were described and an undertaking provided that, once resolved, a notice would be published on the BCP Council website setting out the technical details involved.

The Committee was also reminded of the assurance provided by the External Audit as described in the previous agenda item and an explanation had also been provided at the informal Members' session on 15th July. A list of the questions asked at that session and of the responses provided would be circulated as an Appendix to the minutes. It was accepted that there were lessons to be learnt for the future and the importance of adopting a consistent approach across the new Council was underlined.

A list of updates in respect of each of the legacy Councils was set out.

The Committee recorded their gratitude for the work of External Auditors Grant Thornton and acknowledged their contribution to the process.

Members also paid tribute to the role of the Chief Finance Officer and the whole of the Finance Team, who had been under huge pressure to produce accounts for the three legacy Councils, and expressed their gratitude for the quality and timeliness of the work undertaken by them. The Chief Finance Officer underlined this with his own expression of appreciation of the staff involved across the board in supporting the process.

RESOLVED that:-

- (a) the Committee agree the 2018/19 Statements of Accounts for Christchurch Borough Council and Borough of Poole Council and the Chair of the Audit and Governance Committee sign the Statement of Responsibilities included within the Statement of Accounts and the letter of Representation on behalf of the Committee;**
- (b) agreement on behalf of the Committee of the 2018/19 Statement of Accounts for Bournemouth Borough Council be delegated to the Chair of the Audit and Governance Committee subject to satisfactory completion of the further identified audit tasks**

except that any further issues identified by the External Auditor will be referred back to the Committee for consideration.

15. Internal Audit – Audit Charter 2019/20, Audit Plan 2019/20 and Quarterly Audit Plan Update Qtr1 2019/20

The BCP Council Internal Audit Charter for 2019/20, the Audit Plan, and the Quarterly Audit Plan Update for the first Quarter of 2019/20 were presented to the Committee as required under adopted Audit Standards. It was explained that the Plan and the Charter set out for the Committee what the Council should expect from the Audit Team during 2019/20 and represented a high-level statement of how Audit resources would be deployed. The report also included an update of performance against the Plan during the first Quarter of the current financial year.

RESOLVED that:-

- (a) the Committee approve the Internal Audit Charter and that the Chair signs the document to record the approval;**
- (b) the Committee approve the Internal Audit Plan 2018/19;**
- (c) the Committee notes the budget for the Internal Audit service as previously agreed by the Council and notes progress made and issues arising on delivery of the 2219/20 Internal Audit Plan.**

16. Risk Management – Corporate Risk Register Update

Following quarterly review by the Corporate Management Board, the Audit and Governance Committee received an overview of the Corporate Risk Register and highlighted changes during the first Quarter of 2019/20. It was explained that changes to Risks were made where necessary on an ongoing basis by the Management Board. The Committee also noted proposals to provide this information through an internal portal which would further facilitate access by Members.

RESOLVED that the Committee note the outcome of the Corporate Management Board's review of the Corporate Risk Register.

17. Arrangements for the Registration of Gifts and Hospitality for BCP Council Officers

Although a report relating to this item had been tabled, the Committee underlined its resolve not to consider tabled items and noted that a further report on this matter would be submitted to the next meeting of the Committee.

18. Forward Plan 2019/20

The Committee considered the Forward Plan for 2019/20.

It was noted that items on the Plan were largely driven by the core business of the Committee and the requirements for reporting as set out in regulations, prescribed within adopted audit process and set out within the Committee's Terms of Reference.

Councillors recognised that, in addition to the core items identified, there were likely to be additional issues emerging from time to time in response to events and to address particular matters raised by Members. The Chair underlined the importance of ensuring that the Committee felt able to fully and properly engage with the Audit process.

A number of issues were raised in discussion including the opportunity to consider, for example, the Medium Term Financial Plan and in accordance with the Committee's Terms of Reference, to maintain an overview of the Constitution. The Chair invited Members to email him directly with these and other suggestions for areas on which the Committee could focus and where it could generate input going forward. The importance of informal background briefings and other events to support the Committee in its role was also underlined.

RESOLVED that, subject to the comments raised, the Committee approve the Forward Plan for 2019/20.

The meeting ended at 8.27 pm

CHAIRMAN



AUDIT AND GOVERNANCE COMMITTEE

Report subject	Independent Investigation and Response to a Deputation regarding Kinson Community Centre
Meeting date	10 th October 2019
Status	Public Report
Executive summary	<p>This report is a continuation of the full report provided to Audit and Governance Committee on 25th July 2019. The committee at that time requested that a further report was presented which provided Members with the full investigation reports relating to these complaints. The investigation reports are attached as appendices to this report. In addition, the committee requested that officers seek a formal response from KCA regarding both the findings of the complaint investigations and also to the Council's response to their deputations, which were all fully outlined in the report of 25th July 2019. This has been requested, however no response has been received.</p> <p>The report summarises the position and reiterates the commitment to fostering positive relationships with KCA, in particular, through mediation which was a key recommendation from the independent investigations.</p>
Recommendations	<p>It is RECOMMENDED that</p> <p>Audit & Governance Committee:</p> <ol style="list-style-type: none"> 1. note the content of the independent investigator reports relating to complaints raised by KCA 2. note that no formal response has been provided by KCA in response to the independent investigators findings or the deputation response reported to the committee on 25th July 2019 3. support the pursuance of mediation between the Council and KCA
Reason for recommendations	<p>The Council has taken appropriate action to address complaints and allegations raised by KCA, and has accepted and acted on the recommendations made as a result. Officers remain hopeful that mediation can facilitate positive working relationships between the Council and KCA in the future in order that Kinson Community Centre can continue to deliver valuable facilities to our community.</p>

Portfolio Holder(s):	Cllr Lewis Allison
Corporate Director	Kate Ryan, Corporate Director – Environment and Communities
Contributors	Kelly Ansell- Director of Communities Nigel Stannard, Head of Audit and Governance
Wards	Kinson
Classification	For update and information

Background

2. A report was considered by the Audit and Governance Committee on 25th July 2019 which outlined the 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. In addition, the report also set out the action taken to address informal and formal complaints and allegations raised by KCA, or representatives of KCA, over a period from October 2014.
3. The committee requested that a further report was presented which provided Members with the investigation reports relating to these complaints. In addition, the committee requested that officers seek a formal response from KCA regarding both the findings of the complaint investigations and also to the Council's response to their deputations, which were all fully outlined in the report of 25th July 2019.

Complaint Investigation

4. As noted in the previous report, KCA made several complaints and allegations to Bournemouth Borough Council (BBC) over a period of 3 years, all of which BBC believe had been appropriately responded to. KCA did not share this view.
5. Eleven specific historic allegations were summarised by the then new KCA Chairman in a formal complaint letter dated 11th May 2017. 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.
6. 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 and report their findings to all twenty specific allegations. The reports can be found at appendix a and b.
7. This independent review cost £12,157; these costs were met in full by BBC in the 2018/19 accounts.
8. 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.

9. The independent investigator made two recommendations:

- Consider setting up mediation meetings to rebuild an effective working relationship
- Nominate a Council employee to be the primary point of contact for all matters relating to the Centre going forward

10. The now Director of Communities for BCP Council, formerly Head of Communities, Enforcement and Regulatory Services for BBC, has made several attempts to engage with KCA to pursue mediation, making it clear that the cost of such would be borne fully by the Council. No response has ever been received.

11. The single point of contact arrangements were confirmed in February 2019

12. The Council remains committed to fostering positive relationships with KCA in order that Kinson Community Centre can continue to operate for the benefit of the local community in a safe and sustainable manner. The invitation to mediation to facilitate this remains open.

KCA Response

13. Following the committee meeting on 25th July 2019, the Director of Communities made contact with the Chair of Trustees of KCA on 6th August 2019, 29th and 30th August 2019 by email and again on 16th September 2019, to request the following;

- KCA provide a formal response to the Investigators Reports sent to them on 8th January 2019
- KCA also provide a formal response to the report considered on 25th July 2019 and the recommendations within.

14. No response has been received to date.

Proposed Way Forward

15. The Director of Communities undertakes to continue to seek positive engagement with KCA with the aim of engaging in mediation which is considered to be the only reasonable means of securing a positive relationship with the association going forward.

Summary of financial implications

16. The Director of Communities has undertaken to fund the cost of mediation recommended by the independent investigator, which will be funded from base budget allocation.

Summary of human resources implications

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

Summary of environmental impact

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

Summary of public health implications

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

Summary of equality implications

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

Summary of risk assessment

21. The risk implications are as set out in the report dated 25th July 2019.

Background papers

None.

Appendices

Appendix A – Ibex Gale Report – Historical Complaints - **Confidential**

Appendix B – Ibex Gale Report – FRA Complaints - **Confidential**

By virtue of paragraph(s) 1, 2 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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of the Local Government Act 1972.

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Audit and Governance Committee

Report subject	Local Government and Social Care Ombudsman Annual Reports 2018/19
Meeting date	10 th October 2019
Status	Public Report
Executive summary	<p>The Local Government and Social Care Ombudsman (LGSCO) provides an independent and impartial service to investigate complaints about Councils, or actions taken by another body on behalf of the Council.</p> <p>The LGSCO prepare an annual report for local authorities summarising the numbers of enquiries they have received, the number of investigations they have undertaken and the decisions they have made.</p> <p>For 2018/19 there were three individual reports for the legacy councils of Bournemouth, Christchurch and Poole.</p> <p>There was a reduction in the number of enquiries received by the LGSCO from 2017/18 across the three legacy councils, but the number of upheld complaints rose slightly.</p> <p>However, there are no major concerns relating to the LGSCO findings.</p>
Recommendations	<p>It is RECOMMENDED that:</p> <p>Members of the Audit and Governance Committee note the Local Government and Social Care Ombudsman's Annual Reports</p>
Reason for recommendations	To ensure that members of the Audit and Governance Committee are informed regarding the Council's performance in relation to the Local Government and Social Care Ombudsman.

Portfolio Holder(s):	Cllr Vikki Slade – Leader of the Council
Corporate Director	Julian Osgathorpe
Contributors	Graeme Smith – Policy and Performance Officer
Wards	All
Classification	For Information

Background

1. The role of the Local Government and Social Care Ombudsman (LGSCO) is to provide an independent and impartial service to investigate complaints about Councils, or actions taken by another body on behalf of the Council.
2. This means that, where a Council has outsourced a service or function, while it no longer provides that service or function directly, it remains responsible for it and for the actions of the organisation in acting on behalf of the Council.
3. The remit of LGSCO is limited to complaints of maladministration leading to injustice, a failure in a service, or failure to provide a service.
4. When aiming to settle complaints, a financial payment may be suggested. The LGSCO uses a scale of payments to help investigators to be consistent. These may range from a few pounds to several thousands. The LGSCO may also suggest changes in the Council's policy or practices.
5. The LGSCO issues an Annual Review Letter and Report in June/July each year regarding the authorities' performance.
6. These are sent to Council Leaders, Head of Paid Services and the Chairs of the relevant Overview and Scrutiny panels to support greater democratic scrutiny of local complaint handling and to ensure effective local accountability of public services.
7. The Annual Review reports for 2018/19 for Bournemouth Borough Council, Christchurch District Council and Poole Borough Council are attached as Appendices A, B and C respectively.
8. The LGSCO produces a summary of complaint statistics for every local authority in England to be included in the yearly report and published alongside the annual review letters.
9. Further information on the Annual Review and summary of statistics can be found on the LGSCO's website www.lgo.org.uk
10. The LGSCO terminology used for describing the outcome of complaints is as follows:

What is said at the bottom of the decision letter	What is reported at the Annual Review
These types of complaint do not have a formal decision letter issued for them	Incomplete/Invalid
	Advice Given
	Referred back for local resolution
Closed after initial enquiries – no further action	Closed after initial enquiries
Closed after initial enquiries – out of jurisdiction	
Upheld: no further action	Upheld
Upheld: maladministration and injustice	
Upheld: maladministration, no injustice	
Report Issued: Upheld; maladministration and injustice	
Report Issued: Upheld; maladministration, no injustice	
Not upheld: no further action	Not upheld
Not upheld: no maladministration	
Report issued: Not upheld; no maladministration	

11. If the LGSCO make a finding of maladministration, the Council or authority has a duty to report that finding to its members. However, the requirements to report that finding differ depending on how the decision has been issued
12. If a decision is issued as a statement (under section 30(1B)), while there is no requirement within the LGA 74 to report a finding of maladministration to its members, there is other legislation which places requirements on a council's Monitoring Officer to report a finding of maladministration (Section 5/5A Local Government and Housing Act 1989).
13. The LGSCO consider this is an internal issue for each council to decide how it deals with it and meets the reporting requirement.
14. If the finding of maladministration is issued as a report (under section 30(1) of the Local Government Act 1974), then there is a specific requirement for that finding to be reported to a Council's or authority's members, and for a formal response to that finding to be sent to the LGSCO.
15. This report provides further detail to support the LGSCO's annual reports.

2018/19 Monitoring

16. The total number of complaints/enquiries received by the LGSCO for BCP's predecessor authorities, during 2018/19 was 93, compared to 129 in 2017/18
17. Over 2018/19 87 decisions were made by the LGSCO on complaints relating to Bournemouth, Christchurch and Poole. Of these 24 were subject to a detailed investigation.

18. Of the 24 that had a detailed investigation the LGSCO upheld 16, providing an upheld rate of 66%, an increase on the 48% upheld rate of 2017/18.
19. All of the 24 decisions were issued as statements, the Council had no reports issued.
20. The 24 complaints that were upheld in 2018/19 related to;

Service Area	Number of Complaints
Adult Social Care	6
Children Social Care	4
Housing and Community Safety	2
Planning	1
Seafront	1
Highways	1
Legal	1

21. There is no theme to the errors found by the Ombudsman, indicating that they are not resulting from systematic issues. At least three of the complaints were upheld due to minor errors and no injustice was found to have occurred.
22. As the Ombudsman notes, the number of complaints taken alone is not a reliable indicator of an authority's performance. The volume of complaints should be considered alongside the upheld rate and alongside statistics that indicate the authority's willingness to accept fault and put things right when it goes wrong.
23. 100% of all complaints where a remedy was recommended by the Ombudsman have been remedied to the Ombudsman's satisfaction.

Summary of financial implications

24. In 2018/19 the Ombudsman recommended 7 instances of financial redress costing the predecessor authorities £3,203.85.

Summary of legal implications

25. None

Summary of human resources implications

26. None

Summary of environmental impact

27. None

Summary of public health implications

28. None

Summary of equality implications

29. None of the upheld complaints indicated any equalities related implications.

Summary of risk assessment

30. Not applicable

Background papers

None

Appendices

Appendix A: Bournemouth Borough Council Annual Report

Appendix B: Christchurch District Council Annual Report

Appendix C: Borough of Poole Annual Report

Local Authority Report: Bournemouth Borough Council
For the Period Ending: 31/03/2019

For further information on how to interpret our statistics, please visit our [website](#)

Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
16	3	5	10	6	2	4	3	1	50

Decisions made

				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate (%)	Total
5	0	11	18	4	4	50	42
Note: The uphold rate shows how often we found evidence of fault. It is expressed as a percentage of the total number of detailed investigations we completed.							

Satisfactory remedy provided by authority

Upheld cases where the authority had provided a satisfactory remedy before the complaint reached the Ombudsman	% of upheld cases
1	25
Note: These are the cases in which we decided that, while the authority did get things wrong, it offered a satisfactory way to resolve it before the complaint came to us.	

Compliance with Ombudsman recommendations

Complaints where compliance with the recommended remedy was recorded during the year*	Complaints where the authority complied with our recommendations on-time	Complaints where the authority complied with our recommendations late	Complaints where the authority has not complied with our recommendations	
6	6	0	0	Number
	100%		-	Compliance rate**
Notes: * This is the number of complaints where we have recorded a response (or failure to respond) to our recommendation for a remedy during the reporting year. This includes complaints that may have been decided in the preceding year but where the data for compliance falls within the current reporting year. ** The compliance rate is based on the number of complaints where the authority has provided evidence of their compliance with our recommendations to remedy a fault. This includes instances where an authority has accepted and implemented our recommendation but provided late evidence of that.				

Local Authority Report: Christchurch Borough Council
For the Period Ending: 31/03/2019

For further information on how to interpret our statistics, please visit our [website](#)

Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
0	0	0	0	0	1	0	2	0	3

Decisions made

				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate (%)	Total
0	0	1	1	1	0	0	3
Note: The uphold rate shows how often we found evidence of fault. It is expressed as a percentage of the total number of detailed investigations we completed.							

Satisfactory remedy provided by authority

Upheld cases where the authority had provided a satisfactory remedy before the complaint reached the Ombudsman	% of upheld cases
0	0
Note: These are the cases in which we decided that, while the authority did get things wrong, it offered a satisfactory way to resolve it before the complaint came to us.	

Compliance with Ombudsman recommendations

Complaints where compliance with the recommended remedy was recorded during the year*	Complaints where the authority complied with our recommendations on-time	Complaints where the authority complied with our recommendations late	Complaints where the authority has not complied with our recommendations	
0	0	0	0	Number
	0%		-	Compliance rate**
Notes: * This is the number of complaints where we have recorded a response (or failure to respond) to our recommendation for a remedy during the reporting year. This includes complaints that may have been decided in the preceding year but where the data for compliance falls within the current reporting year. ** The compliance rate is based on the number of complaints where the authority has provided evidence of their compliance with our recommendations to remedy a fault. This includes instances where an authority has accepted and implemented our recommendation but provided late evidence of that.				

Local Authority Report: Poole Borough Council
For the Period Ending: 31/03/2019

For further information on how to interpret our statistics, please visit our [website](#)

Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
8	2	7	8	3	4	1	7	0	40

Decisions made

				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate (%)	Total
4	0	15	8	3	12	80	42
Note: The uphold rate shows how often we found evidence of fault. It is expressed as a percentage of the total number of detailed investigations we completed.							

Satisfactory remedy provided by authority

Upheld cases where the authority had provided a satisfactory remedy before the complaint reached the Ombudsman	% of upheld cases
1	8
Note: These are the cases in which we decided that, while the authority did get things wrong, it offered a satisfactory way to resolve it before the complaint came to us.	

Compliance with Ombudsman recommendations

Complaints where compliance with the recommended remedy was recorded during the year*	Complaints where the authority complied with our recommendations on-time	Complaints where the authority complied with our recommendations late	Complaints where the authority has not complied with our recommendations	
10	10	0	0	Number
	100%		-	Compliance rate**
Notes: * This is the number of complaints where we have recorded a response (or failure to respond) to our recommendation for a remedy during the reporting year. This includes complaints that may have been decided in the preceding year but where the data for compliance falls within the current reporting year. ** The compliance rate is based on the number of complaints where the authority has provided evidence of their compliance with our recommendations to remedy a fault. This includes instances where an authority has accepted and implemented our recommendation but provided late evidence of that.				

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Audit & Governance Committee

Report Subject	Treasury Management Monitoring report for the period April to August 2019
Meeting date	10 October 2019
Status	Public
Executive summary	This report sets out the monitoring of the Council's Treasury Management function for the period 1 April 2019 to 31 August 2019.
Recommendations	It is recommended that Audit & Governance Committee: 1) note the reported activity of the Treasury Management function for the period ending 31 August 2019. 2) agree to receive a training session on the treasury management function from the councils Treasury Advisor Link Asset Services.
Reasons for recommendations	It is a requirement under the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice that regular monitoring of the Treasury Management function is reported to Members.
Portfolio Holder	Councillor David Brown – Finance Portfolio Holder
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Service Director	Adam Richens - Chief Financial Officer/Service Director Finance
Classification	For information and recommendation
Report author	Matthew Filmer, Finance Manager - Technical ☎ 01202 452746 ✉ matthew.filmer@bcpcouncil.gov.uk

Background Detail

1. Treasury Management is defined as the management of the Council's cash flows, its borrowings and investments, the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks.

2. The Treasury Management function operates in accordance with The Chartered Institute of Public Finance and Accountancy (CIPFA) 'Treasury Management in the Public Services' Code of Practice (2011).
3. The Treasury Management function manages the Council's cash flow by exercising effective cash management and ensuring that the bank balance is as close to nil as possible. The objective is to ensure that bank charges are kept to a minimum whilst maximising interest earned. A sound understanding of the Council's business and cash flow cycles enables funds to be managed efficiently.
4. This report considers the treasury management activities in relation to the Treasury Management Strategy. Also included is a summary of the current economic climate, an overview of the estimated performance of the treasury function, an update on the borrowing strategy, investments and compliance with prudential indicators.

Economic Background

5. The first half of 2019/20 has seen UK economic growth fall as Brexit uncertainty took a toll. In its inflation report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. This mirrored investor confidence around the world which is now expecting a significant downturn or possibly even a recession in some developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) have left Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit.
6. As for inflation itself, the Consumer Price Index (CPI) has been hovering around the Bank of England's target of 2% during 2019, (August 1.7%), and is likely to shift only slightly upwards over the rest of 2019/20. It does not therefore pose any immediate concern to the MPC at the current time.
7. Table 1 below which is produced by the authority's treasury consultants Link Asset Services illustrates that there is an expectation that the Public Works Loan Board (PWLB) borrowing rate will continue to edge up over the next two years. This is important to note when considering any plans, the authority may have to carry out additional borrowing over the coming years. In addition, the Council has a relatively high level of internal borrowing, where the Council has used its own cash reserves to initially finance capital expenditure. This has been a robust strategy as interest rates have remained low, however, at some point the authority will need to consider if further external borrowing will be necessary.

Table 1: Interest rate projection (Link Asset Services)

Link Asset Services Interest Rate View											
	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	1.20	1.30	1.50	1.60	1.70	1.70	1.80	1.90	2.00	2.00	2.10
10yr PWLB Rate	1.50	1.60	1.80	1.90	2.00	2.00	2.10	2.20	2.30	2.30	2.40
25yr PWLB Rate	2.10	2.30	2.40	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00
50yr PWLB Rate	2.00	2.20	2.30	2.40	2.50	2.60	2.60	2.70	2.80	2.90	2.90

Treasury Management Performance 2019/20

8. Table 2 below shows the forecast overall treasury management position for 2019/20.
9. The BCP budget position for 2019/20 made provision for Christchurch's share of the accumulated debt of Dorset County Council (DCC). Further to Deloitte's signing off DCC's accounts at the end of July 2019, work has now commenced to apportion their certified assets and liabilities between the two councils. This process will be guided by the agreed principles which the two new Unitary Councils confirmed to the Ministry of Housing, Communities and Local Government (MHCLG).
10. Using the model recommended by the Local Government Association (LGA) known as the Cheshire model (used on the disaggregation of Cheshire County Council) the indicative position is that BCP will inherit approximately 7.75% of the debt of DCC which will amount to approximately £24.3m. This figure will not be confirmed until all the relevant balance sheet items are agreed. By implication it will therefore only be possible to robustly project the forecast outturn position once BCP's share of the DCC debt position can be confirmed. At this stage, and as a matter of prudence, it has been assumed that the cost of borrowing will be in line with the budget.
11. Table 2: Treasury Management Performance 2019/20

	Projected Actuals 2019/20 £'000	Budget 2019/20 £'000	Variance 2019/20 £'000
<u>Expenditure</u>			
Interest Paid on Borrowings	2,864	2,864	0
<u>Income</u>			
Investment Interest Received	(280)	(185)	(95)
Total	2,584	2,679	(95)

Borrowing

12. The Council has adopted a two-pool approach to debt management, separating the debts of the General Fund (Pool 1) and the Housing Revenue Account (HRA) (Pool 2). The HRA pool is a combination of both the Poole and Bournemouth Neighbourhood HRA accounts. The Government's removal of the HRA's debt cap came into force on 30 October 2018. This will enable the HRA to increase its borrowing to build more affordable homes.
13. Table 3 set out below shows the closing level of borrowing for the Council's two loans pools. The level of forecast interest on borrowing for the General Fund pool, before consideration of BCP's share of the debt of DCC amounts to £1,592k.

Table 3: Council Borrowings as at 31 August 2019

Initial Loan Value £'000	Interest Rate	Balance as at 31 Aug 2019 £'000	Maturity Date	General Fund Pool £'000	HRA Pool £'000	Source
Short Term Borrowing						
1,680	0.60%	1,680	02-Sep-2019	1,680	-	Rhondda Cynon Taff CBC
3,240	0.60%	3,240	02-Sep-2019	3,240	-	Rhondda Cynon Taff CBC
7,500	0.97%	7,500	18-Nov-2019	7,500	-	LB Barking & Dagenham
12,420	0.72% <i>Average Rate</i>	12,420		12,420	-	3 Local Authorities
2 Year LA Loans						
41,500	0.73% <i>Average Rate</i>	41,500	29-Sep-2019	41,500	-	6 Local Authorities
Long Term Borrowing						
10,000	3.28%	10,000	14-Sep-2020	-	10,000	PWLB
2,000	8.00%	2,000	25-Nov-2021	-	2,000	PWLB
2,000	8.00%	2,000	25-Nov-2022	-	2,000	PWLB
5,000	2.66%	1,667	22-Aug-2023	-	1,667	PWLB
5,000	4.45%	5,000	24-Sep-2030	-	5,000	PWLB
5,000	4.45%	5,000	24-Nov-2031	5,000	-	PWLB
5,000	4.75%	5,000	24-Sep-2032	-	5,000	PWLB
5,000	4.45%	5,000	24-Nov-2032	5,000	-	PWLB
5,000	4.75%	5,000	24-Sep-2033	-	5,000	PWLB
5,000	4.60%	5,000	23-Feb-2035	-	5,000	PWLB
5,000	4.72%	5,000	22-Aug-2036	-	5,000	PWLB
5,000	2.80%	5,000	20-Jun-2041	5,000	-	PWLB
5,000	2.80%	5,000	20-Jun-2041	5,000	-	PWLB
2,500	6.75%	2,500	06-Mar-2056	-	2,500	PWLB
1,500	6.75%	1,500	13-Mar-2057	-	1,500	PWLB
1,500	5.88%	1,500	07-Mar-2058	-	1,500	PWLB
42,488	3.48%	42,488	28-Mar-2062	-	42,488	PWLB
43,908	3.48%	43,908	28-Mar-2062	-	43,908	PWLB
155,896		152,563		20,000	132,563	
22,625	2.26% + RPI Annually	18,329	17-Oct-2039	18,329	-	Prudential Assurance Co
3,673	0.00%	1,398	01-Apr-2020	1,398	-	Salix
236,114		226,210		93,647	132,563	

Investments

14. During the year, cash surpluses are invested by the Treasury Management team through direct dealing or money brokers with approved counterparties. The Council's counterparty list i.e. the list of organisations that it has been agreed that the Council can invest with has become increasingly restricted in recent years due to the economic climate and the criteria used to select appropriate organisations.

15. A full list of investments held by the authority as at 31 August 2019 is shown in Table 4 below.

Table 4: Investment Summary as at 31 August 2019

Investments	Maturity Date	Principal Amount £	Interest %
<u>Fixed Term Deposits</u>			
Lancashire County Council	01-Nov-2019	5,000,000	0.95%
Goldman Sachs International Bank	08-Nov-2019	10,000,000	0.95%
Goldman Sachs International Bank	12-Dec-2019	4,500,000	0.97%
Sub Total		19,500,000	
<u>Call Account</u>			
Lloyds Bank	95 day notice	15,000,000	1.10%
<u>Ultra Short Dated Bond Fund</u>			
Payden Sterling Reserve Fund	3 day notice	5,000,000	0.90%
Royal London Cash Plus Fund	2 day notice	5,000,000	0.90%
Aberdeen Standard Life Fund	3 day notice	5,000,000	0.90%
Federated Cash Plus Fund	1 day notice	5,000,000	0.90%
Total		54,500,000	

16. The Treasury Management function has continued to achieve higher average returns of 0.85% for the period 1 April 2019 to 31 August 2019 for its combined investment compared to the average 7-day benchmark rate of 0.57%.
17. A separate report on this agenda sets out the proposal to Council to invest £14.9m with the Royal Bournemouth and Christchurch NHS Trust based on annual repayment of £993k with interest payable at 3.5% on a reducing balance basis.
18. The level of forecast investment income for 2019/20 before consideration of the impact of BCP's share of the debt of DCC amounts to £280k.

Other Investment Activity

19. The Authority has also invested in directly owned property. The intention is to provide a update as part of the next Treasury Management monitoring report.

Prudential Indicators

20. The Treasury Management Prudential Code Indicators were set as part of the 2019/20 Treasury Management Strategy as agreed with Council in February 2019. It can be confirmed that all indicators have been complied with during the period 1 April 2019 to 31 August 2019.

Compliance with Policy

21. The Treasury Management activities of the Council are regularly audited both internally and externally to ensure compliance with the Council's Financial Regulations. The recent internal audit in August 2019 rated the Treasury Management function as "Reasonable".
22. The Treasury Management Strategy requires that surplus funds are placed with major financial institutions but that no more than 25% (AA- Rated Institutions) or 20% (A to A- Rated) of the investment holding is placed with any one major financial institution at the time the investment takes place. It can be confirmed that the Treasury Management Strategy has been complied with during the period 1 April 2019 to 31 August 2019.

Summary of Financial/Resource Implications

23. Financial implications are as outlined within the report.

Summary of Legal Implications

24. There are no known legal implications.

Summary of Equalities and Diversity Impact

25. The Treasury Management activity does not directly impact on any of the services provided by the Council or how those services are structured. The success of the function will have an impact on the extent to which sufficient financial resources are available to fund services to all members of the community.

Summary of Risk Assessment

26. The Treasury Management Policy seeks to consider and minimise various risks encountered when investing surplus cash through the money markets. The aim in accordance with the CIPFA Code of Practice for Treasury Management is to place a greater emphasis on the security and liquidity of funds rather than the return gained on investments. The main perceived risks associated with treasury management are discussed below.

Credit Risks

27. Risk that a counterparty will default, fully or partially, on an investment placed with them. There were no counterparty defaults during the year to date, the Council's position is that it will invest the majority of its cash in the main UK Banks which are considered to be relatively risk adverse and have been heavily protected by the UK Government over the last few years. The strategy is being constantly monitored and may change if UK Bank Long Term ratings fall below acceptable levels.

Liquidity Risks

28. Aims to ensure that the Council has sufficient cash available when it is needed. This was actively managed throughout the year and there are no liquidity issues to report.

Re-financing Risks

29. Managing the exposure to replacing financial instruments (borrowings) as and when they mature. The Council continues to monitor premiums and discounts in relation to redeeming debt early. Only if interest rates result in a discount that will benefit the Council would early redemption be considered.

Interest Rate Risks

30. Exposure to interest rate movements on its borrowings and investments. The Council is protected from rate movements once a loan or investment is agreed as the vast majority of transactions are secured at a fixed rate.

Price Risk

31. Relates to changes in the value of an investment due to variation in price. The Council does not invest in Gilts or any other investments that would lead to a reduction in the principal value repaid on maturity.

Background papers

32. Treasury Management report to Shadow Authority on 21st February 2019 <https://modern.gov.bcpshadowauthority.com/ieListDocuments.aspx?CId=136&MId=123&Ver=4>

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AUDIT & GOVERNANCE COMMITTEE

Report subject	BCP Council Investment to Support the One Dorset Pathology Unit
Meeting date	10 October 2019
Status	Public
Executive summary	<p>A report on a BCP Council investment to support the One Dorset Pathology Unit was presented to Cabinet on 11th September 2019.</p> <p>The report requested Cabinet to recommend to Council approval of a £14.9m investment, extend the Councils schedule of approved counterparties for investments, delegate further terms of the investment to the Chief Finance Officer and authorise the Monitoring Officer to draw up and enter a suitable legal agreement.</p> <p>The report to Cabinet also requested that the Audit & Governance Committee be asked to consider the report and make any further recommendations for Council consideration.</p>
Recommendations	<p>It is recommended that Audit & Governance Committee;</p> <p>1. Consider the BCP Council Investment to support the One Dorset Pathology Unit Cabinet report and make any necessary recommendations to Council.</p>
Reason for recommendations	To enable Audit & Governance Committee to comment on the proposed BCP investment to support the One Dorset Pathology Unit.
Portfolio Holder(s):	Cllr David Brown – Finance Portfolio Holder
Corporate Director	Julian Osgathorpe (Corporate Director Resources)
Contributors	Adam Richens, Chief Finance Officer and Director of Finance
Wards	All wards
Classification	For recommendation

Summary

1. A report on a BCP Council Investment to Support the One Dorset Pathology Unit was presented to Cabinet on 11th September 2019.
2. The report stated *"Cabinet recommend Council:*
 - *approve a £14.9m investment over a 15-year repayment period to The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust on the terms outlined in in paragraph 3;*
 - *extend the Council's schedule of approved counterparties for investments to include the Royal Bournemouth and Christchurch Hospital NHS Foundation trusts for the purposes of this investment only as well as increase the time limit to 15 years.*
 - *delegate to the Chief Finance Officer the approval of any further detailed terms for the provision of the investment.*
 - *authorise the Council's Monitoring Officer to draw up and enter into a suitable legal agreement with the NHS Foundation Trust."*
3. This report requests Audit & Governance to consider the Cabinet report (see Appendix A) and to offer any recommendation to.

Summary of financial implications

4. See attached Appendix A
5. All such investment activity is carried through the treasury management of cash surpluses and uses established and programmed resources. No external borrowing is specifically undertaken to finance such investments.

Summary of legal implications

6. See attached Appendix A

Summary of human resources implications

7. See attached Appendix A

Summary of environmental impact

8. See attached Appendix A

Summary of public health implications

9. See attached Appendix A

Summary of equality implications

10. See attached Appendix A

Summary of risk assessment

11. See attached Appendix A

Background Papers

12. See attached Appendix A

13. Appendices

Appendix A BCP Council Investment Report to Cabinet 11th September 2019

CABINET



Report subject	BCP Council Investment to Support the One Dorset Pathology Unit
Meeting date	11 September 2019
Status	Public
Executive summary	<p>This report presents the Council with the opportunity to support one of its key strategic partners in delivering a new modern pathology facility to serve both the conurbation and the rest of Dorset.</p> <p>The support will be in the form of a £14.9m investment from the Council into the Royal Bournemouth and Christchurch National Health Service (NHS) Foundation Trust (RBCH) which will be repaid evenly in equal instalments of capital of just under £1m per annum.</p> <p>To make this investment Council needs to add, on an exceptional basis, the RBCH to its list of approved counterparties and extend the normal five-year period for investments.</p> <p>This repayment will be made by the Royal Bournemouth and Christchurch NHS Foundation Trust regardless of the operational performance of the new One Dorset Pathology Unit.</p> <p>The risk around delivering the savings from the new pathology unit will therefore lay with the Royal Bournemouth and Christchurch NHS Foundation Trust.</p> <p>This arrangement recognises that there is a limited amount of capital funding available in the NHS compared to the size of their revenue budget.</p>
Recommendations	<p>It is RECOMMENDED that Cabinet recommend Council:</p> <p>(a) approve a £14.9m investment over a 15-year repayment period to The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust on the terms outlined in in paragraph 3;</p> <p>(b) extend the Councils schedule of approved counterparties for investments to include the Royal Bournemouth and Christchurch Hospital NHS</p>

	<p>Foundation trusts for the purposes of this investment only as well as increase the time limit to 15 years.</p> <p>(c) delegate to the Chief Finance Officer the approval of any further detailed terms for the provision of the investment.</p> <p>(d) authorise the Council's Monitoring Officer to draw up and enter into a suitable legal agreement with the NHS Foundation Trust.</p>
Reason for recommendations	To provide the funding the NHS Foundation Trust, is seeking to enable its investment in its front-line services and benefit the local community.
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 Matthew Filmer, Finance Manager
Wards	All Wards
Classification	For Recommendation

Background

14. The Council has been approached by the Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust, on behalf of the local NHS pathology network of services. The request is to provide a mechanism for them financing their One Dorset Pathology modernisation. Councils which have provided resources to support their local foundation trusts includes those between;
 - a) Blackpool Council and Blackpool Teaching Hospitals NHS Foundation Trust.
 - b) Northumberland County Council and the Northumbria Healthcare NHS Foundation Trust.
15. On the basis that Foundation Trusts are not legally allowed to secure a loan against operational assets then the investment would not be secured but would be issued based on creditor assurance as laid out in the Department of Health guidance (see Summary Risk Assessment section).
16. The Council's Corporate Management Board has recommended approval of an investment in the Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust on the following terms:
 - that formally the Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust will be responsible for the capital and interest repayments.
 - an investment of up to £14,900,000.

- a repayment term of 15 years.
 - repayment by annual equal instalments of capital and interest on a reducing capital sum basis.
 - an interest rate of 3.5% based on a suggested rate of 2.75% plus the 0.75% EU state aid margin rate for organisations for strong and normal levels of collateral.
 - unsecured on the basis that all liabilities of a Foundation Trust are protected by the Department of Health.
 - a one-off upfront arrangement fee of £45,000 to reflect the due diligence and monitoring arrangements required.
 - a delegation to the Chief Finance Officer of any further detailed terms not stated above.
 - drawdown of the investment will take place in line with the projects build programme.
 - no provision within the agreement will be made for any extensions or payment deferrals.
17. This application is different from a normal business investment in terms of the nature of the applicant as a strategic public-sector partner. However, from the Councils perspective it is important to emphasise that the Royal Bournemouth and Christchurch NHS Foundation Trusts will be required to make £993k annual capital repayments and the associated interest payment regardless of their financial position, operational performance or success of the One Dorset Pathology service.
18. Therefore, the success of the business case associated with One Dorset Pathology service sits with the Royal Bournemouth and Christchurch NHS Foundation Trusts and its partners.
19. A detailed assessment of the financial position of the Foundation Trust has not been undertaken. However, it is noted RBCH is rated as “Outstanding” for the use of resources as assessed by its’ key regulators (Care Quality Commission and NHS Improvement). The key issue is whether the Foundation Trust can repay an investment of this scale and what recourse the Council would have should, in the worst case scenario, the Foundation Trust were to default or be placed in special measures. This is detailed further in the Summary of Risk Assessment section.

Royal Bournemouth and Christchurch Hospital NHS Foundation Trust

20. The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust provides healthcare to the residents of Bournemouth, Christchurch, East Dorset and part of the New Forest. It gained Foundation status in 2005, following three consecutive years as a three-star performing Trust. Services are provided to patients from the Royal Bournemouth and Christchurch Hospitals. The Trust’s catchment population is covered by two Clinical Commissioning Groups:
- Dorset Clinical Commissioning Group
 - West Hampshire Clinical Commissioning Group

21. The Trust was issued with a provider licence by Monitor (now part of NHS Improvement) on 1 April 2013, which replaced the Trust's terms of authorisation. The Trust is run by a Board of Directors, which is made up of Executive and Non-Executive Directors.
22. Work is currently underway to enable the merger of the Trust with Poole Hospital NHS Foundation Trust. A case has been submitted to the Competition Mergers Authority (CMA) who have indicated that the Trusts may create a shared leadership team (e.g. single Chief Executive and Chair posts) and introduce joint management of key services. The merger is potentially likely to take place between April 2020 and April 2021, though it has not yet been agreed exactly when NHSI and the CMA will consider the request to merge. All national political parties have agreed to legislate to end the CMA role in NHS, which was introduced in 2012. However, a date has not yet been set for this. The merged organisation would continue the obligation of repayment to the Council.
23. NHS Improvement oversees NHS Trusts and NHS Foundation Trusts using one consistent approach via a Single Oversight Framework (SOF). The objective of the SOF is to help providers attain and maintain Care Quality Commission ratings of "Good" or "Outstanding", meet NHS constitution standards and manage their resources effectively, working alongside their local partners. RBCH is rated as overall "Good" with outstanding for well led domain, which includes the use of resources.

One Dorset Pathology Unit

24. As part of the NHS Sustainability Plan all of Dorset's NHS providers have agreed a business case to deliver a new pathology facility on its site at Castle Lane East Bournemouth. This new build hub would enable;
 - A shared vision and future for the service, which fits the national strategy.
 - Implementation of a new service delivery model centred on a new build at the Royal Bournemouth Hospital and essential service laboratories at Poole Hospital and Dorset County Hospital.
 - Harmonise clinical leadership.
 - A single management structure.
 - Modern, harmonised equipment through a new Managed Equipment Services (MES), with easier ability to update and flex as the service evolves.
 - Implementation of a single Laboratory Information System (LIMS), able to share results between healthcare professionals more quickly, and reduce travel.
 - A financially viable model, able to offer greater certainty to staff, and allow investment in training, facilities and equipment.
 - Dorset NHS to have the capacity to support the increasing service demand from a diverse and aging population.
 - Network laboratory models which lead to better recruitment and improved staff training, as services are at scale, and offer career progression.
 - Dorset NHS to support the demand for increasing specialisation and sophistication in the types of testing services required. The network approach also

allows more cutting-edge tests, including research and development opportunities. This will allow more residents access to trials and latest tests.

- Deliver savings and efficiencies in excess of those required to meet the capital and interest repayments on the investment.
25. The Royal Bournemouth and Christchurch Hospital firmly acknowledge that the capital and interest repayments under this proposal must be made to the Council regardless.
 26. The resources provided by the Councils investment would be used to finance the building of the new pathology facilities. A modern hub laboratory will lead to faster diagnosis whilst delivering more efficient ways of working. A modern design will also allow us to future proof the service and give flexibility to adapt to changes in technology and clinical requirements which current laboratories cannot.
 27. Over 17 million tests per year are undertaken by the Dorset Pathology network. Many these are for residents of BCP Council. Multiple tests are run on one sample, such as a single blood test. Pathology is relied upon for over 70% of all clinical decisions.
 28. The annual turnover of the RB&C NHS Foundation Trust is approximately £295m. The approximate turnover of all the NHS organisations party to the One Dorset Pathology Unit proposal is over £700m per year. The intention is that the Foundation Trust and their partner Acute Trusts would generate operational efficiencies in delivering the service from a single modern pathology facility.
 29. The facility will either be built on land owned by the Royal Bournemouth and Christchurch Hospital at Castle Land East Bournemouth or by land purchased from the Council which is currently part of the adjoining Wessex Fields site. This latter point is a separate decision for the Council and hospital Trust. The Council's early masterplan identifies a location on Wessex Fields for the facilities, adjacent to the hospital. Timelines are very much dependent on the work underway with the design and construction teams. The best case is another eight months of planning and a twelve-month build.

Investment

30. The £14.9m investment will require capital repayments of £993k in capital annually on the anniversary of the investment from the Foundation Trust in each of the next 15 years plus interest at a rate of 3.5% based on a reducing balance basis. Assurance via the Finance Director for the Foundation Trust has been received to confirm that the Board of the NHS Foundation Trust acknowledge that they will make these repayments regardless of their success in delivering the savings assumed within their underpinning business case.
31. The Royal Bournemouth and Christchurch NHS Foundation Trust have also confirmed that as a solvent foundation trust they do not need to obtain approval from the Department of Health or NHS Improvement. However, they have discussed the arrangement with NHSI in detail and they have confirmed in writing they are able to do so. NHSI have also seen and approved the One Dorset Pathology business case as the underlying IT system is being funded by the Department of Health.

32. NHS colleagues have confirmed their confidence in the One Dorset business case with the capital and interest payment having been factored into their long-term cash plans.

State Aid

33. For the avoidance of doubt the Council has used loan terms to ensure the interest rate has been set at a margin to ensure compliance with the EU Commission Test and therefore ensure compliance with EU State Aid requirements.
34. The proposed 3.5% interest rates also mirror the Department of Health public dividend rate which is used for any Government backed NHS borrowing schemes.

Third Party, Independent consideration

35. The legal framework and assurance around the Councils ability to make an investment in its NHS Foundation Trust has been obtained from Link Asset Services (LAS) the Councils Treasury Management Advisers.

Consultation

36. Consultation has been undertaken internally with the Council's Corporate Management Board (CMB) and the Foundations Trust's Finance Committee.
37. Externally consultation has taken place with the Council's External Auditor who has responded that he has no problem with the arrangement in principle.
38. Consultation with the BCP Audit & Governance Committee will take place when this report is presented to their 10 October 2019 meeting.

Alternative Options

39. The alternative option for the Council is not to progress this proposal. This would impede the NHS Foundation Trust in delivering its new Pathology Hub for Dorset as RBCH would need to seek a commercial investment. However, it would deprive the Council of some relatively low risk income over 15 years, and potentially result in a higher cost to the public sector locally for the Pathology service. As the NHS is non-profit making any savings are re-invested directly back into local patient care.

Summary of financial implications

40. The interest rate charged to the NHS Foundation Trust would be 3.5% which can be compared to the 1.5% rate the Council would currently (13 August 2019) expect to obtain on a 15-year investment.
41. The total interest earned on this proposal by the Council is £4.2m. The additional interest earned over the 15-year period when compared to the current prevailing 15-year rate on the same reducing balance basis is £2.4m. This additional return recognises the extra level of risk the Council is taking. It should also be noted that the interest earned each year will differ as £993k of the investment is repaid each year.
42. For information and comparative purposes only, the Council, as at the 13 August 2019, could borrow at a rate of 1.17% based on a 15-year equal instalments of principle and interest loan.
43. In addition, and in line with normal such arrangements, the NHS Foundation Trust will pay an upfront cost of £45,000 as an arrangement fee. This will support the costs

incurred by the Council including the cost of staff ordinarily employed by the Council who have worked on this proposal.

Summary of legal implications

44. The Council has the powers to make such an arrangement using the investment power granted by Section 12 of the Local Government Act 2003 however such arrangements should still comply with State Aid criteria.
45. When making such investments, an authority must have regard to Investment Guidance, which includes key references to the fact that such investments do not represent revenue or capital expenditure, and that they must be recorded in the balance sheet as long or short-term investments.
46. An investment of this type would be classified as a “non-specified” investment. When making such investments, an authority should report the reason for the investment being made to the appropriate reporting body and include the details of the investment within their investment strategy.
47. Subject to the approval of the investment, a legal agreement will be drawn up by the Council’s Monitoring Officer.

Summary of human resources implications

48. None specifically related to this report.

Summary of environmental impact

49. None specifically related to this report.

Summary of public health implications

50. None specifically related to this report.

Summary of equality implications

51. The Council can support its residents indirectly by providing better value financing to another public sector third party.

Summary of risk assessment

52. Guidance has been produced by the Department of Health with regards to unsecured creditors entitled NHS Trust and foundation trust special administration – a guide for unsecured creditors, Department of Health, November 2015. The 2015 version replaced the 2013 guidance, considering recent Acts which have strengthened the Trust Special Administrator’s (TSA) regime. However, the fundamental principles in relation to creditors’ rights remain unchanged. The key sections worth noting in terms of a Trust getting into financial difficulty are sections 6/7 and 8:

6. Is the Secretary of State liable for all the liabilities of a dissolved NHS trust?

The Secretary of State has an obligation to deal with all of the liabilities of an NHS trust that is dissolved at the conclusion of the TSA Regime 1. Section 70 of the 2006 Act places a duty on the Secretary of State to transfer all of a dissolved NHS trust’s liabilities to another NHS body, to the Secretary of

State, or to Welsh Ministers. **This means that all creditors of an NHS trust are protected and all liabilities of all NHS trusts are safeguarded.**

7. Is the Secretary of State liable for all the liabilities of a dissolved foundation trust?

In the event that a decision is made at the conclusion of the TSA Regime to dissolve an FT, Monitor must make an order under Section 65LA of the 2006 Act to dissolve that FT. The order must provide for the transfer of all of the FT's liabilities to another NHS body, to the Secretary of State, between more than one NHS body or between one or more NHS bodies and the Secretary of State. **This means that all creditors of an FT are protected and all liabilities of all FTs are safeguarded.**

8. Does the TSA Regime mean that in all cases 100% of any due debt/liability will be met according to current terms of business with suppliers and there are no circumstances in which creditors might be offered anything less than this?

The appointment of the TSA does not affect any contractual obligations that the NHS trust or FT owes to third parties. If an NHS trust or FT is under a contractual obligation prior to the appointment of the TSA, it will continue to be after that appointment. As stated under question 6, section 70 of the 2006 Act places a duty on the Secretary of State to deal with all the liabilities of any NHS trust that is dissolved, and an order made by Monitor under section 65LA of the 2006 Act will transfer all liabilities of an FT that is dissolved as set out under question 7.

NHS legislation does not impose a duty on a TSA to meet debts according to current terms of business with suppliers. Our expectation is that a TSA will strive to deal with debts in accordance with current terms of business. Suppliers will need to decide for themselves the terms on which to do new business with an NHS trust or FT under trust special administration. However, an NHS trust or FT to which a TSA has been appointed remains covered by the section 70 obligations (in relation to NHS trusts) or section 65LA obligations (in relation to FTs), which have the effect of safeguarding all liabilities.

The guidance therefore provides reassurance that any such agreement between the Council and an NHS Trust is secure in that any temporary or replacement body will become responsible for all liabilities.

53. Members need to be aware of the reputational and financial consequences of default on any investment.

Appendices

None



Audit and Governance Committee

Report subject	Emergency Planning and Business Continuity Update
Meeting date	10 October 2019
Status	Public Report
Executive Summary	<p>BCP Council has effective emergency planning and business continuity arrangements in place in accordance with the Civil Contingencies Act 2004 (CCA).</p> <p>BCP Council has used risk/planning assumptions to prepare as far as is practical for any impacts of the United Kingdom leaving the EU. These risks/planning assumptions are not a prediction of what may happen but reflect a responsible organisation preparing for reasonable worst-case scenarios.</p> <p>BCP Council has worked with Local Resilience Forum partners to collaborate and coordinate activities.</p>
Recommendation(s)	<p>It is RECOMMENDED that:</p> <p>Audit & Governance Committee are asked to note the:</p> <ul style="list-style-type: none"> • Emergency planning • EU exit planning • Work with partners across the Dorset Local Resilience Forum • Business Continuity <p>arrangements and activities undertaken by BCP Council.</p>
Reason for recommendation(s)	It is a statutory requirement for the Council to have effective emergency planning and business continuity arrangements in place in accordance with the Civil Contingencies Act 2004.
Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Report Author(s)	<p>Nigel Stannard Head of Audit & Management Assurance ☎01202 451969 / ☎01202 633123 ✉ nigel.stannard@bcpcouncil.gov.uk</p> <p>Alyson Whitley Emergency Planning and Resilience Manager</p>

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Contributions	BCP EU Exit Coordinating Group
Wards	All
Classification	For Update and Information

Background

1. This report provides an update on the emergency planning and business continuity arrangements in place in BCP Council.
2. It is a statutory requirement for the Council to have effective emergency planning and business continuity arrangements in place in accordance with the Civil Contingencies Act 2004 (CCA).
3. The following specific activity / topics are considered in more detail in this report:
 - BCP Council's Emergency Plan and related arrangements
 - BCP Council's EU Exit planning and preparedness
 - Working with partners within the Dorset Local Resilience Forum
 - BCP Council's business continuity arrangements

BCP Council's Emergency Plan and related arrangements

4. It was a specific requirement of the Local Government Reorganisation (LGR) Structural Change Order for BCP Council to have an operationally effective 'Day1' * Emergency Plan in place (* from 1/4/19).
5. The BCP Programme Board agreed the plan on 14/3/19 and it was operationally effective from 1/4/19 complying with the Structural Change Order and the CCA.
6. The plan clearly documented the pragmatic reliance on some legacy council arrangements not least in some levels of the 'command structure', the way the Council mobilises individuals and resources. In practical terms this meant that different arrangements existed in the geographical areas of Bournemouth Christchurch and Poole.
7. The BCP 'command structure' uses three core common nationally recognised operating levels, namely strategic, tactical and operational levels. Partners such as blue light services, NHS bodies and Dorset Council all use the same core operating levels.
8. So, for example, in the event of a major incident, the Strategic Commanders from all relevant bodies may meet (either actually or virtually) in a Strategic Coordination Group (SCG).

9. It is very common for some partners to interchange terms/language. Strategic, tactical and operational levels are also known as Gold, Silver and Bronze levels.
10. The 'command structure' of BCP has evolved as officers have been appointed to Tier 3, Service Director, roles and the plan has been consequently adjusted to keep pace with these changes. From 5th September 2019 the BCP 'command structure' is now fully consolidated and legacy council arrangements have ceased. The Corporate Emergency Plan has been revised accordingly.

The table below summarises the BCP arrangements:

Command level	BCP language / name of role	Who is in the role?	Summary of arrangements
Gold / Strategic	Duty Gold or the Gold Commander	Tier 2 Corporate Directors + the Monitoring Officer + the Chief Finance Officer	7 officers in total on a 1 in 7 week on-call 24/7/365 rota
Silver / Tactical	Duty Silver or the Silver Commander	Tier 3 Service Directors (<i>not the MO or CFO, they are on the gold rota, and not the Director of Public Health</i>)	13 officers in total on a 1 in 13 week on-call 24/7/365 rota
Bronze / Operational	Duty Officer	Emergency planning officers + four volunteers from legacy councils	9 officers in total on a 1 in 9 week on-call 24/7/365 rota

The plan requires Duty Gold to contact the Chief Executive as soon as practicable who will determine whether he wishes to assume the Duty Gold role in the event of an incident depending on the nature and scale.

11. The Corporate Management Board (CMB) have 'tested' the plan via a table-top exercise facilitated by the Emergency Planning & Resilience Team. Some learning points were identified and the plan was adjusted where necessary.
12. The BCP Emergency Plan is available should members of this Committee wish to view it via the following internal (to BCP Council) link.
<https://bcpcouncil.sharepoint.com/sites/Hosts/BCP/BCPPoliciesandGuidance/BCP%20Council%20emergency%20plan.pdf>
13. The plan is marked 'Official' which means access must be no wider than necessary for the efficient conduct of an organisation's business and limited to those with a business need and the appropriate personnel security control.
14. The plan would be made available to the public via a Freedom of Information request, but it would be redacted in places, at the discretion of the Council and with regard to legal requirements.
15. The Council's emergency plan is a flexible and scalable plan that can be used for any emergency as it provides the principles for response. Since the creation of BCP Council on 1/4/19 there have not been any major incidents. However,

elements of the plan have been invoked to manage incidents that the Council has responded to such as:

- A gas leak in Gillam Road, Bournemouth, in May where three homes required overnight temporary accommodation
- A significant fire in Oak Avenue, Christchurch, in July where 12 homes required overnight accommodation. Emergency Planning and Housing attended the scene and provided support
- A fire in Wolverton Road, Bournemouth, in August resulting in 12 people requiring temporary accommodation for three nights

16. In preparation for the move to a new single BCP command structure the Emergency Planning Team has updated all of the documents and plans that support the three levels of command. In addition, the Emergency Planning and Resilience Team delivered a training and awareness session for the team of duty officers and have also delivered 1:1 sessions for Silvers taking on the role for the first time under BCP.

17. The Emergency Planning College will be coming to Dorset on 10th October and 13th November to deliver strategic emergency and crisis management and tactical emergency and crisis management training respectively to BCP and Dorset Council Golds and Silvers.

18. Other ongoing emergency planning work during this period in addition to EU Exit work and preparing for the new command arrangements has focussed on the following:

- Reception centre training – all staff from Christchurch Adult Social Care and staff from Poole Adult Social Care have received refresher training on how to set up and manage a reception centre in the event of an emergency
- Operation London Bridge – a revised BCP plan drawing on legacy arrangements to be used in the event of the death of a member of the royal household
- Air festival – the Emergency Planning and Resilience Team worked in conjunction with the BCP Events Team and the Dorset Civil Contingencies Unit to deliver a multi-agency tabletop exercise to validate wider multi-agency response arrangements should a major incident occur in the footprint of the air festival
- Working as part of a multi-disciplinary group with IT Security, Information Governance and Learning and Development to develop cyber security training for staff

19. Key areas of activity for the second half of the year will focus on developing a BCP flood response plan and a BCP reception centre plan.

BCP Council's European Union (EU) Exit planning and preparedness

20. BCP Council has been planning and preparing for the United Kingdom leaving the EU. Much of this planning and preparing has been coordinated by a variety

of Government Departments so most Councils and other public bodies are doing broadly similar things.

21. The Council has been required to nominate an EU Exit Lead Officer as the focal point for all Government two-way cascade of information and requests. The Chief Executive made the decision to be the nominated Lead Officer.
22. Whilst not an emergency per se, Local Resilience Forums (LRFs) across the country are being used to coordinate planning and preparedness across sector and organisational boundaries. Locally the Dorset LRF is fulfilling this role, much of BCP Council's planning and preparedness has consequently taken place with partners such as Police, Fire, Dorset Council and Poole Harbour Commissioners (PHC).
23. Most of the planning and preparation (but not all) has been concentrated on a 'No-Deal' scenario.
24. The BCP Emergency Planning & Resilience Team has drawn up a list of possible risks/planning assumptions that may potentially arise as a result of leaving the EU without 'a deal'. This list has been drawn from a number of sources including:
 - Government documents such as Operation Yellowhammer
 - Other Councils' and other public bodies' planning assumptions
25. BCP Council's list of risks/planning assumptions is **not a prediction of what is going to happen**, but reflects a responsible organisation preparing for reasonable worst-case scenarios. Assumptions are deliberately stretching and challenging in order to facilitate effective contingency planning. The list is shown at Appendix EU Exit 1.
26. The list has been circulated to all services across BCP Council. Services have been asked to consider, for each risk/planning assumption, what they perceive the impact would be on the service in question. It follows some (risk/planning assumptions) are more impactful on some services than others, indeed for some there may be no identified impact on any BCP service. Where proportionate, possible and appropriate, Services are taking action to mitigate any consequences.
27. A BCP EU Exit Coordination Group has been set up which meets weekly to coordinate the Council's response and actions. This Group provides the Corporate Management Board (CMB) with regular EU Exit updates. CMB make decisions where necessary including, for example, where to commit resources to EU Exit planning and preparedness.
28. Some of the more material actions across BCP Council include:
 - Traffic management plan around the Port of Poole to avoid, as far as is practicable, queuing of vehicles on the road network. A contingency site has been identified at Creekmoor Park & Ride site to temporarily 'hold' vehicles if the capacity at the Port of Poole is exhausted.

- Participation by Port Health/Trading Standards/Regulatory Services in Government Ports & Borders Delivery Group.
 - Liaison with Poole Port /Traders for export certification requirements.
 - Communication of the EU settlement scheme to business and individuals.
 - Liaison with Chamber of Commerce to facilitate giving advice to prepare businesses for EU exit and moving to a new normality.
 - Residual waste disposal arrangements – if waste movement is delayed – adequacy of holding capacity (of main contractor) reviewed.
 - Data handling and personal data flow (where data is held in the EU).
 - Fuel disruption planning, bunkered stocks able to provide 10 days' business continuity (in-house services only).
 - Communication with social care providers on business continuity arrangements – e.g. staffing and fuel shortages.
29. The Government has made available EU Exit Grant to all local authorities. BCP has received £703,000 to date. Some of this has been spent or committed delivering some of the actions above as detailed in Appendix EU Exit 2. A balance of £385,000 remains available to fund actions and activity pre and post the EU Exit leave date of 31/10/19.

Working with partners within the Dorset Local Resilience Forum (the LRF)

30. The LRF is the principal mechanism for multi-agency cooperation under the Civil Contingencies Act 2004 (CCA). The LRF is based on the Dorset Police boundary which is the same as the geographical county boundary. The LRF is not a statutory body but it is a statutory process. It does not, however, have powers to direct its members.
31. The LRF currently delivers its collective duties against the CCA through the Dorset Civil Contingencies Unit (the CCU) which is an innovative local public sector partnership. The CCU is funded by Police, Fire, Local Authority and Health partners of the Dorset LRF. The CCU coordinates the governance of the Dorset LRF and oversees the management and delivery of the Dorset LRF programme of work.
32. The organisations that comprise the Dorset LRF, have in-house emergency planning teams who deliver against the individual agencies' duties under the CCA.
33. The following summarises recent activity associated with the Dorset LRF programme of work.
- A significant percentage of multi-agency time has been dedicated to EU Exit planning and preparedness.
 - Development of a cyber response plan outlining how multi-agency partners would respond to a significant cyber attack affecting agencies' ability to respond or causing significant impacts to the community

- Mass casualties planning - development of an LRF plan to supplement health planning focussing on how a mass casualties response would be managed. From a local authority perspective, this includes aspects such as large-scale accelerated discharge from hospitals and transport.
- Mass fatalities planning – following changes to national support to a mass fatalities incident regarding equipment that would be made available and a national review, the Holly Tree Lodge plan for use as an emergency mortuary is being overhauled.
- Major Accident Hazards Pipeline plan review – under the Pipeline Safety Regulations local authorities have a duty to ensure emergency plans are in place for any high-pressure pipelines that sit within their authority boundary. BCP Council is working in conjunction with Dorset Council to update the current multi-agency emergency plan due for review this year as both have stretches of pipelines present.

BCP Council's Business Continuity arrangements

34. Business Continuity Management (BCM) is a statutory duty placed on BCP Council by the Civil Contingencies Act 2004 (CCA). The Act requires the Council to:
 1. Maintain business continuity plans to ensure that it can continue to exercise its civil protection functions; and
 2. Continue to perform its critical functions during a business disruption.
35. The BCP Corporate Business Continuity Plan provides generic guidance and a framework that is flexible enough to deal with a variety of disruptive challenges as no one plan or set of arrangements can be devised to meet all contingencies.
36. The BCP Corporate Business Continuity is available should members of this Committee wish to view it via the following internal (to BCP Council) link.
<https://bcpcouncil.sharepoint.com/sites/Hosts/BCP/BCPPoliciesandGuidance/BCP%20Council%20emergency%20plan.pdf>
37. The plan is marked 'Official' which means access must be no wider than necessary for the efficient conduct of an organisation's business and limited to those with a business need and the appropriate personnel security control.
38. The plan would be made available to the public via a Freedom of Information request, but it would be redacted in places, at the discretion of the Council and with regard to legal requirements.
39. Business continuity activity during the period of this report has been:
 - Two team members recently sat and passed the Certificate of the Business Continuity Institute and are now accredited to the Business Continuity Institute, the global professional body for business continuity.
 - In April the Dorset Business Continuity Forum met. This is a pan Dorset group of business continuity practitioners from across the public and private sector including J P Morgan, LV, HMRC and the Dorset Growth

Hub and is facilitated by BCP Council. The group discusses a range of business continuity issues and on this occasion the group had a presentation by the Business Continuity Manager for the South West Ambulance Service Trust on its business continuity response to the Salisbury novichok incident during which it lost several ambulance stations and ambulances due to contamination.

- Development of a set of materials and tools to promote business continuity to businesses. This has been done in conjunction with Dorset Council and the Dorset CCU as local authorities have a duty to promote business continuity under the Civil Contingencies Act. The next step is to develop a training package to be used in house to raise awareness of business continuity.
- Working with Economic Development to provide business continuity advice to businesses, particularly with a no-deal EU Exit focus.
- Work is underway on a business continuity risk assessment that assesses the risks that BCP faces that could give rise to a business disruption, for instance events that could cause a loss of staff, a loss of premises or a loss of resources such as IT.

40. Key business continuity activity for the next 6-12 month period will be developing a BCP business continuity policy outlining the Council's approach and consolidating the legacy Council arrangements..

Summary of Financial Implications

41. The budget for the Emergency Planning and Resilience Team is £358,500. This figure is inclusive of a BCP contribution of £84,300 to the Dorset wide Civil Contingencies Unit (CCU) hosted by Dorset & Wiltshire Fire & Rescue Service. (See paragraph 31 for an explanation of the CCU's role.)

42. At this stage of the financial year there is a projected underspend of approximately £16,000 against the budget.

43. EU Exit financial implications are previously identified in early sections of this report and at Appendix EU Exit 2.

Summary of Legal Implications

44. Failure to have in place effective emergency planning or business continuity arrangements may result in the Council not meeting its statutory requirements under the Civil Contingencies Act.

Summary of Human Resource Implications

45. Staffing savings of 20% (cost and headcount) were achieved through the legacy councils, Bournemouth and Poole, operating a shared Emergency Planning and Business Continuity Team in the 2018/19 financial year in the lead up to Local Government Reorganisation and the creation of BCP Council.

46. In total five members of staff TUPE transferred to BCP Council from legacy Bournemouth and Poole Councils. There was no TUPE transfer of staff from the

legacy Christchurch Borough Council or Dorset County Council into the BCP Emergency Planning and Resilience Team.

Summary of Environmental Impact

47. There are no direct environmental implications from this report

Summary of Public Health Implications

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

Summary of Equality Implications

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

Summary of Risk Assessment

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

Background Papers

None

Appendices

EU Exit 1 – Possible Risk/Planning assumptions

EU Exit 2 - EU Exit Planning and Preparedness – Expenditure (spent/committed)

Possible Risk/Planning assumption

- 1 BREXIT prompted referendum / snap general election
- 2 Disruption to the distribution of medicines
- 3 Disruption to Food Supply Chain (and other supply chains)
- 4 Large scale public disorder in site(s) in a single city or in multiple cities, occurring concurrently over several days.
- 5 Impact of BREXIT related disruption coinciding with other events or emergencies (e.g. severe weather, organised events)
- 6 Increased demand on Social Work for statutory assessment and reviews due to possible Provider Failure resulting in delaying time for completion of assessment and increasing in time for those awaiting commencement of assessment
- 7 Increase in safeguarding referrals due to vulnerable members of communities being exploited should there be problems with supply-side resulting in shortages of food and fuel
- 8 Increased referrals as carers and/or good neighbours become stressed as people look to their own needs, rather than those of others, at times of shortage.
- 9 Shortages of fuel means domiciliary care staff unable to travel, leaving people at risk
- 10 Potential return of Ex pats who may be older with care needs. This will increase pressure on services
- 11 Inability to recruit and retain EU citizens within Services (perhaps more acutely in Adult Social Care)
- 12 Uncertainty of BREXIT outcomes impacts on sustainability and deliverability of Adult Social Care statutory duties
- 13 Uncertainty of BREXIT outcomes results in service provider failure
- 14 Uncertainty of BREXIT outcomes results in a failure to deliver strategic/transformation initiatives
- 15 Potential increase in hate crime incidents following a no deal BREXIT
- 16 Risk of increases in modern slavery cases
- 17 Potential increases in extremist activity (far right / far left)
- 18 Potential for public disorder issues in the event of No Deal BREXIT
- 19 Potential for short term increases in other specific crimes, e.g. domestic abuse in the event of a No Deal BREXIT

- 20 Fuel shortages result in service invoking contingency measures and reducing overall effectiveness of Services
- 21 Changes in regulations and border controls results in a significant slowdown in the existing flow of goods and people (Poole Port / Bournemouth Airport)
- 22 Impact of a No Deal BREXIT upon workforce and sectors dependent upon EU27 citizens, especially social care and health, land based and tourism.
- 23 Uncertainty among the business community, in relation to for instance, food standards, trading standards, export health certificates, etc.
- 24 Impacts of a No Deal BREXIT on delivery of EU structural funds and Common Agricultural Policy payments
- 25 Disruption to supply of construction minerals impacting on the Councils ability to support the construction industry
- 26 Tariff on export of waste affecting contractual arrangements
- 27 Uncertainties of BREXIT impact on the local plan policy framework
- 28 Impacts of BREXIT on legislative basis for environmental policies
- 29 Local intermediate storage capacity for waste and recycling is limited within the BCP infrastructure network. Wider transport disruption could disrupt front frontline collections where local storage becomes exhausted
- 30 The waste service is reliant upon a range of specialised imported products to run and maintain its collection operations. Disruption in these supply chains could restrict the ability to conduct frontline collection services
- 31 Uncertainty in the market place at the time of tendering could adversely impact competition and increase costs to provide services.
- 32 A large proportion of the waste industries work force are from the EU.
- 33 Loss of pet passport allowing movement of pets may lead to increase pet smuggling / disease
- 34 Overspill from port of detained live animal exports – animals waiting too long. Husbandry issues
- 35 Quality of goods imported from outside EU not meeting current safety standards
- 36 Many areas of legislation are EU based. Withdrawal of CE marking showing goods meet minimum safety standards, food labelling requirements will change
- 37 Access to EU information systems may be lost.

Appendix – EU Exit 2

EU Exit Planning and Preparedness – Expenditure (spent/committed)

Government Grant £703,000 (rounded)

Description	£ 000's	Status
In-house staffing costs (to end August19)	74	Spent
Additional staffing – Executive support *	55	Committed
Additional staffing – Economic Development Account Manager *	50	Committed
Dorset Chamber of Commerce post – advisor to business	26	Committed
IT and Equipment	27	Spent
Traffic Management Plan – Creekmoor Park & Ride site preparation	90	Partially spent and partially committed
Total spend and /or committed	322	
Balance of grant uncommitted	381	

*£ figures are for 12 month fixed term appointments



Audit and Governance Committee

Report subject	Internal Audit Plan Update – April to September 2019/20
Meeting date	10 October 2019
Status	Public Report
Executive Summary	<p>This report details progress made on delivery of the 2019/20 Audit Plan for the period 1 July to 30 September 2019. The report highlights that:</p> <ul style="list-style-type: none"> • Three audit assignments have been completed (two 'Reasonable' and one 'Partial' audit opinions); • Thirty-three audit assignments are in progress; • The implementation of audit recommendations by management is satisfactory; • Two Whistleblowing investigations are on-going.
Recommendation(s)	<p>It is RECOMMENDED that:</p> <p>Audit & Governance Committee are asked to note progress made and any issues arising on the delivery of the 2019/20 Internal Audit Plan.</p>
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):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Report Author(s)	<p>Nigel Stannard Head of Audit & Management Assurance ☎01202 451969 / ☎01202 633123 ✉ nigel.stannard@bcpcouncil.gov.uk</p>
Contributions	Simon Milne, Deputy Chief Internal Auditor
Wards	All

Classification	For Recommendation/Decision/Update and Information
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Background

1. This report provides an update of Internal Audit's progress against delivering the 2019/20 Audit Plan. The status of audit assignments within the audit plan and where completed, audit opinions, are set out within this report.
2. As required by the Internal Audit Charter this report provides all audit assignments that have been concluded with a 'Minimal' or 'Partial' audit opinion and/or include high priority recommendations.
3. An update on any recommendations that require escalation to Audit & Governance Committee, as required by the Internal Audit Charter, is also included in this report.

2019/20 Internal Audit Plan Delivery

4. The 2019/20 Internal Audit Plan was agreed with the Audit & Governance Committee in July 2019 and it outline the planned audit areas.
5. The following table summarises Internal Audit activity during the first 5 months of the year in comparison to the original Audit Plan.

TYPE OF WORK / ACTIVITY	PLANNED DAYS (FULL YEAR)	5 MONTHS APRIL – AUGUST 2019			
		Actual Days	% Completed	% Straight line 5/12 th Projection	% Difference
Core Audit & Assurance (Key Assurance Functions/High Level Risks /Counter Fraud Risks/Key Financial Systems/Schools/Advice & Follow Ups)	1615	528	33	42	-9
Other Audit Work (Special Investigations/Contingency Audits/Financial Regulations Compliance)	220	80	36	42	-6
Corporate Assurance Work (Corporate Fraud/Free Early Education Funding)	185	96	52	42	+10
VFM/BCP Work (Including MTFP savings/BCP implementation work)	110	17	15	42	-27
Governance Work (Corporate Management/Member Liaison/AGS)	155	77	50	42	+8
Service Management (Management/Audit Development & Planning /Performance)	411	258	63	42	+21
Non Productive Time (Leave/Training/Sick/Vacancy Contingency)	781	338	46	42	+4
TOTAL RESOURCE	3477	1394	41	42	-1

6. More time was spent than planned during the period on the following activities:
- Corporate Assurance Work (+10%) – The majority of planned reviews of early education establishments to confirm entitlement to funding has been completed at the beginning of the year.
 - Governance Work (+8%) – Time was spent on completion of the Annual Governance Statement for 2018/19 which will be proportionally less for the remainder of the year.
 - Service Management (+21%) – Time was spent on completion of annual appraisals and a recruitment exercise which will be proportionally less for the remainder of the year.
7. Less time was spent than planned during the period on the following activity:
- VFM/BCP Work (-27%) – There have not been any significant VFM or BCP implementation projects that have required time to be allocated to this activity. However, a project has recently been commenced to review BCP Fusion (accounting system) control/holding/suspense accounts which will require resource from this time budget.
 - Core Audit & Assurance (-9%) – This activity is planned to increase for the remainder of the year.
8. Three audit assignments have been fully completed in this quarter of 2019/20 (July- September 2019) as outlined below

2019/20 Audits Completed

	Service Area	Audit	Assurance Opinion
1	Finance	Treasury Management	Reasonable
2	Destination & Culture	Arcade Cash Income	Reasonable
3	Environment	Lower Central Gardens & Five Parks Charitable Trusts Governance	Partial

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.
9. Six recommendations (two high, three medium and one low priority) were made in the Lower Central Gardens & Five Parks Charitable Trusts Governance Arrangements Audit Report which was given a 'Partial Assurance' audit opinion. The recommendations have all been agreed with management and are detailed in Appendix A.

10. There were no 'Minimal' assurance audit reports issued during the quarter.

11. The status of other audits in progress (July-September 2019) is outlined below:

2019/20 Audits In Progress

	Service Area	Audit	Progress
1	Housing	Governance of Companies	Draft Report
2	All Service Areas	Petty Cash Accounts (various services)	Draft Report
3	Family & Learning	Christchurch Learning Centre	Draft Report
4	Family & Learning	Christchurch Infant School	Draft Report
5	Family & Learning	Mudeford Junior School	Draft Report
6	Family & Learning	Mudeford Community Infants School	Draft Report
7	Family & Learning	Somerford Primary Community School	Draft Report
8	Family & Learning	St Joseph's Catholic VA Primary School	Draft Report
9	Family & Learning	Highcliffe St Mark Primary School	Draft Report
10	Family & Learning	Burton CE Primary School	Draft Report
11	Family & Learning	The Priory CE VA Primary School	Draft Report
12	Children's Social Care	Aspire Adoptions Services	Draft Report
13	All Service Areas	Income Systems (various services)	Fieldwork
14	Destination & Culture	Adult Education	Fieldwork
15	Financial Services	Debtors	Fieldwork
16	Development	Asset Management	Fieldwork
17	Environment	Parks Asset Management, Health & Safety & Income	Fieldwork
18	Communities	Poole Market	Fieldwork
19	Law & Governance	Declaration of Interests	Fieldwork
20	IT & IS	Councillors IT Equipment	Fieldwork
21	IT & IS	User Lifecycle Management	Fieldwork
22	Finance	SVPP (GDPR compliance)	Fieldwork
23	Organisational Development	Payroll (TUPE transfer of data)	Fieldwork
24	Adult Social Care	Debt Management Review	Fieldwork
25	Adult Social Care	Finance Review Project	Fieldwork
26	Adult Social Care	Mosaic Payments System Review	Scoping

27	Growth & Infrastructure	Car Parks	Scoping
28	Children's Social Care	Out of Hours Service	Scoping
29	Finance	Main Accounting	Scoping
30	Finance	External Arrangements	Scoping
31	IT & IS	Local Land Property Gazetteer	Scoping
32	IT & IS	Travel of IT Equipment	Scoping
33	IT & IS	Security Policies	Scoping

12. 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

13. One Whistleblowing referral was received during the second quarter of this financial year and is being investigated. The total number of Whistleblowing referrals for the financial year to date stands at two.

14. The Whistleblowing referral which was received during the first quarter (as reported to July Audit & Governance Committee) is still being addressed and is not yet finalised. This referral related to legacy Council arrangements in place prior to BCP Council but which BCP Council inherited.

15. Further transformation work has been carried out moving from legacy Council arrangements to BCP arrangements during the second quarter of 2019/20.

16. In particular, Internal Audit is supporting Accountancy on a review of BCP Oracle Fusion financial system processes. The objectives of the review are to ensure that; financial system interfaces are efficient and fit for purpose; appropriate control accounts are in place and used correctly, and transaction processing in allocating and clearing control/holding/suspense accounts is efficient and appropriate.

Recommendations Implementation

17. 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 escalation to Audit & Governance Committee is therefore required in this regard.

18. Management across BCP Council is currently working to implement, to agreed timescales*, 40 high priority and 203 medium priority recommendations. (*with Internal Audit).

Summary of Financial Implications

19. 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.
20. 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 Team which has been previously approved by Council.
21. 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

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

Summary of Human Resource Implications

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

Summary of Environmental Impact

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

Summary of Public Health Implications

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

Summary of Equality Implications

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

Summary of Risk Assessment

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

Background Papers

None.

Appendices

Lower Central Gardens & Five Parks Charitable Trusts Governance Arrangements
2019/20 – Audit Report Recommendations

Appendix A

LOWER CENTRAL GARDENS & FIVE PARKS CHARITABLE TRUSTS GOVERNANCE ARRANGEMENTS 2019/20 – AUDIT REPORT RECOMMENDATIONS

	Recommendation	Priority	Status / Management Response	Responsible Officer	Target Date
R1	<p>It is recommended that in conjunction with Law & Governance the relationship between the Council, the Lower Central Gardens Trust (LCGT) and the Five Parks Trust (FPT) is the subject of formal expert review with input from current and past Trust Board members as appropriate. Amongst other things, this review should include explicit consideration of:</p> <ul style="list-style-type: none"> (a) Suitability of governance arrangements for the LCGT and FPT, taking the findings and recommendations of the recent external Russell-Cotes governance review report into account as appropriate, including whether a Trust Board is required for the FPT; (b) The roles and responsibilities of Trust Board members and the need for adoption of clear Terms of Reference for each Trust; (c) Arrangements for managing potential conflicts of interest (including between relevant Charities legislation and the Local Government Act) to ensure that all decisions are made and can be demonstrated to be in the Trusts' best interests; and (d) Trust Board meeting rules and procedures including decision-making records. 	High	Agreed with Management	Head of Parks Development	December 2019
R2	<p>It is recommended that:</p> <ul style="list-style-type: none"> (a) The Lower Central Gardens Management Plan is formally reviewed and updated to ensure that delegated authority for day-to-day parks operations decision-making is clear including any decisions reserved to the Trust. This revised plan should be subject to formal approval by both the Council and the LCGT Board; (b) Management ensure that a clear management plan with appropriate and clearly documented delegations of authority is put in place; and (c) Formal consideration be given, after the governance review recommended in R1 is carried out, as to whether service level agreements should be put in place between the Council and each Charitable Trust. If put in place, these agreements should be subject to formal approval by both parties. 	High	Agreed with Management	Head of Parks Development	March 2020

R3	<p>It is recommended that:</p> <p>(a) A separate accounting ledger is created for each Charitable Trust. Alternatively, specific cost centres or project codes should be set-up to allow relevant transactions to be coded appropriately for financial management and accounting purposes; and</p> <p>(b) The process for apportionment of income to each Charitable Trust is formally reviewed. This should include:</p> <ul style="list-style-type: none"> • An examination of income received by the Council for events which take place on Trust land; and • A full review of assets on Trust land to identify potential income streams and ensure that all income due to the Trust is received and accounted for correctly. 	Medium	<p><i>Agreed with Management</i></p> <p>There are cost centres and project codes that are specific to the Trusts, but non-specific Trust codes are reviewed so as to include income and expenditure that has been miscoded;</p> <p>A formal review will be undertaken to review: (i) the events undertaken, and income generated, on Trust land, and (ii) the assets held to identify potential income streams and ensure that all income due to the Trust is received and accounted for correctly.</p>	Companies Accountant	January 2020
R4	<p>It is recommended that arrangements are put in place to ensure that Trust Board meetings are scheduled to allow sufficient time for the production, review, audit, formal approval and sign-off of Charitable Trust accounts and Trustees' Annual Reports ahead of the Charity Commission submission deadline.</p>	Medium	<p><i>Agreed with Management</i></p> <p>The Council has no influence over when the Trust Board meetings take place – if the Board wishes to meet more frequently, either formally or informally, this will help to avoid this issue.</p> <p>Arrangements will be made to ensure that the accounts are reviewed and agreed by the Board to meet the Charities Commission deadline, whether that is in a formal Board meeting or by meeting / email communication.</p>	Companies Accountant	January 2020
R5	<p>It is recommended that consideration is given as to which stock should be included in the Trust accounts.</p>	Low	<p><i>Agreed with Management</i></p> <p>Stock due to be included in the accounts will be reviewed.</p>	Companies Accountant	January 2020
R6	<p>It is recommended that the basis, process for and timing of the Trusts' fixed asset valuation is subject to formal review and update to minimise the use of estimates in the accounts.</p>	Medium	<p><i>Agreed with Management</i></p> <p>The basis, process of and timing of the Trusts' fixed asset valuations will be reviewed to minimise the use of estimates in the accounts.</p>	Companies Accountant	January 2020



AUDIT & GOVERNANCE COMMITTEE

Report subject	Risk Management – Corporate Risk Register Update
Meeting date	10 October 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; • There have no changes to risks scores during the quarter; <p>Each of the risks have been reviewed 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 review of the Corporate Risk Register.</p>
Reason for recommendation(s)	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.
Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Report Author(s)	<p>Fiona Manton Risk & Insurance Manager ☎01202 451274 fiona.manton@bcpcouncil.gov.uk</p>
Contributions	Corporate Management Board
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 now reviewed on a quarterly basis by the Corporate Management Board.

Changes in Risk During Quarter 2 – 2019/20

7. Corporate Management Board have reviewed the Risk Register and updates on the risks are summarised in Appendix 1 with information on Actions Completed during the quarter and Actions Proposed for the next quarter.
8. 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.

Service Development

9. In addition to the reviews of Corporate Risks, the Risk Management Team continues to be engaged in the refresh of service risk registers. This includes engaging with services to understand their current risk arrangements, how these can be improved to deliver a proactive and dynamic risk management environment and how the Risk Management Team can support them in this to deliver a consistent and embedded approach to risk management throughout the Council. During the current year this involves a mixture of arrangements that will gradually be working towards a new service risk register for each area in BCP Council. This work continues.
10. Work is now starting on the drafting of a new Risk Management framework for BCP Council. Consideration will be given to the new Council's risk appetite and the processes for managing risk consistently across the Council. This will also include the mechanisms for risk reporting and risk escalation. It is intended to seek approval of this policy during quarter 4.
11. As part of the role of the team, continuous "horizon scanning" is undertaken to identify issues that may give rise to risk to the Council. When matters are identified, these are raised with the relevant Corporate / Service Director for review and consideration if any action is necessary.

Summary of Financial Implications

12. Financial implications relevant to risks are detailed within the relevant risk registers.

Summary of Legal Implications

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

Summary of Human Resource Implications

14. There are no direct human resources implications 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. The risk management implications are set out within the content of this report.

Background Papers

None






Appendices



BCP Council
AUDIT & GOVERNANCE COMMITTEE
10 OCTOBER 2019



CORPORATE RISK REGISTER UPDATE Q2 - 2019/20

1. UPDATES / CHANGES TO THE CORPORATE RISK REGISTER



- 1.1 The Corporate Risk Register (CRR) is updated quarterly. Numbering does not run sequentially as some risks have been removed as reported previously.
- 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 help and youth services <p>Actions Completed During Qtr 2</p> <ul style="list-style-type: none"> • Children's Services - Learning partnership, school forum for BCP Council <p>Actions Proposed During Qtr 3</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



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 2</p> <ul style="list-style-type: none"> • Adult Social Care - Working with recruitment agency to recruit additional staff



						<ul style="list-style-type: none"> • Children's Services – new Safeguarding Children's Partnership arrangements went live 1 August 2019 • Children's Services & Adults' – First Health and Wellbeing Board for BCP Council in July 2019 • Children's Services – July 2019 BCP Council establish Corporate Parenting Board • Children's Services – Learning partnership, school forum for BCP Council <p>Actions Proposed During Qtr 3</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
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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



						<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 2</p> <ul style="list-style-type: none"> • 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 • Targeted training delivered to BCP IAA network <p>Actions Proposed During Qtr 3</p> <ul style="list-style-type: none"> • Assess the opportunities to strengthen current arrangements further
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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 2</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 3</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

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 for 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 <p>Actions Completed During Qtr 2</p> <ul style="list-style-type: none"> • Internal EU Exit Coordination Group established and meeting weekly • 2-weekly status reporting to CMB on preparations including bids for EU exit funding pot • Key issues addressed include port health requirements, traffic management, particularly around the Port of Poole, fuel disruption, staffing impact and community cohesion • Emergency Planning Team and wider Council services have been making a significant contribution to LRF multi-agency planning and preparedness • EU Exit Gold and Silver and deputies identified to focus on EU Exit issues freeing up rostered duty golds and duty silvers to focus on 'routine' emergencies <p>Actions Proposed During Qtr 3</p> <ul style="list-style-type: none"> • To follow any national directives or requirements as published • Under current proposals CMB reporting will move to weekly basis from the start of October



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 of 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 2</p> <ul style="list-style-type: none"> • Tabletop exercise held in July for Corporate Management Board to test the new strategic level and corporate emergency plan • Responding to significant incidents in geographical areas of Bournemouth and Christchurch • New single BCP Council command structure introduced as of 5 September. Documents and plans updated to support this change

						<ul style="list-style-type: none"> • Training sessions developed for BCP Council duty officers • Refresher training delivered to geographical Poole ASC staff on running reception centres • Significant work dedicated to EU Exit preparedness <p>Actions Proposed During Qtr 3</p> <ul style="list-style-type: none"> • Maintaining a business as usual service including responses to any incidents • Emergency Planning College coming to Dorset to deliver strategic and tactical emergency and crisis management for Golds and Silvers in October and November • Work commencing on a new BCP Council flood plan and a BCP Council reception centre plan • Ongoing EU Exit preparedness work
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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 2</p> <ul style="list-style-type: none"> • Continued support to services on business continuity • Training delivered to the Emergency Planning Team • Work started on a BCP Council business continuity risk assessment to understand what could give risk to a business disruption and any mitigations that may be possible <p>Actions Proposed During Qtr 3</p> <ul style="list-style-type: none"> • Continue to support services • Further training for staff • Development of a BCP Council business continuity policy

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 2</p> <ul style="list-style-type: none"> • Fundamental Annual Refresh of the Council MTFP • Update of the MTFP following Government's Spending Round in September • Report to Cabinet on 9 October to include both of the above and progress report on the disaggregation of the Balance Sheet of DCC • Base Budget Review process now up and running • Quarter 2 Budget Monitoring Report schedule to be presented to Cabinet in November • All three predecessor Accounts approved by the external auditor and an unqualified opinion issued

						<div>Actions Proposed During Qtr 3<ul style="list-style-type: none">• Stage two base budget reviews• Refinement of savings options• Member seminar• Quarter Two Budget monitoring report• December MTFP Update report</div>
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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 and Fire Safety Board to develop and maintain a strong corporate standard for BCP Council and the cascade governance framework Over-arching Corporate Health & Safety Policy and Fire Safety Policy Corporate Health & Safety resource arrangements maintained in legacy Councils Health & Safety and Fire Safety training included within induction process (e-learning modules) <p>Actions Completed During Qtr 2</p> <ul style="list-style-type: none"> New draft governance framework for Corporate Health and Safety and Fire Safety reviewed by Corporate Management Board and Director Strategy Group Continuation of service provision through legacy Council arrangements Transfer of Corporate H&S and Fire Safety to Communities Service Directorate Draft Corporate H&S and Fire Safety management structure issued for consultation as part of Communities Directorate restructure Corporate H&S service included in Housing and Property Compliance report <p>Actions Proposed During Qtr 3</p> <ul style="list-style-type: none"> First H&S and Fire Safety Board meeting to be held in November Corporate H&S and Fire Safety management restructure to be completed

						<ul style="list-style-type: none">• Review of H&S and Fire Safety operational plans once restructure completed, including training needs and provision• Consider and implement arrangements for health and fire safety training for flexible working arrangements between sites• Corporate fleet management IT system implementation across all areas of BCP Council
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Audit and Governance Committee

Report subject	Update on the BCP Council Local Code of Governance
Meeting date	10 October 2019
Status	Public Report
Executive Summary	The Local Code of Governance needs on-going updates to keep pace with the changes to BCP governance arrangements following adoption of BCP specific policies, arrangements and procedures.
Recommendation(s)	<p>It is RECOMMENDED that:</p> <p>a) Audit & Governance Committee agree the updated Local Code of Governance, including amendments to Section 5 and new Section 6 – How BCP ensures Good Governance is delivered.</p>
Reason for recommendation(s)	<p>The CIPFA/IFAC 'International Framework: Good Governance in the Public Sector' requires local authorities to develop and maintain an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness, against which governance arrangements can be tested.</p> <p>The BCP Local Code of Governance was adopted by the BCP Programme Board on 14 February 2019, however, new BCP specific policies and process have been agreed in the meantime, therefore a mid- year update keeps pace with these changes.</p> <p>In addition, a section has been added to the end of the Local Code to demonstrate how BCP will ensure the governance arrangements described are delivered in practice.</p>
Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Report Author(s)	<p>Nigel Stannard Head of Audit & Management Assurance ☎01202 451969 ☎01202 633123 ✉ nigel.stannard@bcpcouncil.gov.uk</p>

Contributions	Ruth Hodges, Audit Manager
Wards	All
Classification	For Decision / Update and Information

Background

1. The Local Code of Governance demonstrates BCP Council's commitment to the highest standards of corporate governance. The Local Code sets out BCP governance arrangements in relation to the seven best practice principles in the CIPFA/IFAC 'International Framework: Good Governance in the Public Sector' and as required by the CIPFA/SOLACE Delivering Good Governance in Local Government Framework ('CIPFA best practice').
2. The Framework requires authorities to develop and maintain an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness, against which governance arrangements can be tested. This is done through the Annual Governance Statement process, as required by the Accounts and Audit Regulations 2015.

BCP Local Code of Governance

3. The BCP Local Code of Governance was adopted by the BCP Programme Board on 14 February 2019; however, new BCP specific policies and process have been agreed in the meantime. A pragmatic mid-year refresh keeps pace with these changes. Normal practice is to review annually alongside the preparation of the Annual Governance Statement (AGS) at financial year end.
4. Section 5 of the first BCP Local Code of Governance contained more legacy arrangements. Since this was produced, a number of BCP specific arrangements have been agreed, including the Equality and Diversity Policy and Governance Framework, the Investment and Change Governance Framework and the Corporate Strategy and Delivery Plan.
5. In addition, Section 6 has been added to strengthen the Local Code to demonstrate how BCP will ensure the governance arrangements described are delivered in practice.

Summary of Financial Implications

6. There are no direct financial implications from this report. However, adoption of a Local Code of Governance assists with the compliance to the Accounts and Audit Regulations 2015.

Summary of Legal Implications

7. There are no direct legal implications from this report. However, adoption of a Local Code of Governance assists with the compliance to the Accounts and Audit Regulations 2015.

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 equality implications from this report.

Summary of Risk Assessment

12. Whilst there are no direct risk assessment implications, without the Local Code of Governance, BCP would not comply with CIPFA best practice and external audit may raise non compliance issues with the Council.

Background Papers

[Original BCP Local Code of Governance](#) - as agreed by BCP Programme Board
14/2/19 (internal only)

Appendices

Appendix 1 – BCP Local Code of Governance



LOCAL CODE OF GOVERNANCE

Finance

Author: Ruth Hodges
Version: V2.2
Date: 24th Sept 2019

Document Control

Policy title	Local Code of Governance
Policy owner	Head of Audit & Management Assurance
Effective from date	1 st April 2019
Current version	V2
Approval body	Audit & Governance Committee
Approval date	10 October 2019
Review frequency	Annually on 1 April
Next review due	April 2020

Revision History

Date	Version	Significant Changes
February 2019	v1	New Policy created
October 2019	V2.2	Update to reflect the rapid changes in the new BCP Council and add in Section 6

Minor Amendments and Editing Log

The Head of Audit & Management Assurance has primary responsibility for maintaining the Local Code of Governance. It is recognised there may be a need to clarify or update certain elements of the Local Code of Governance from time to time; this may require minor amendments or editing. Minor amendments and editing changes will be made by the Head of Audit & Management Assurance, and these will be logged in the table below. The Local Code of Governance is presented to Audit & Governance Committee annually.

Date	Description of amendments or editing	Page
-	-	-

Consultees

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

Name	Organisation	Date Consulted
BCP Programme Managers, Julian Osgathorpe	Bournemouth and Poole Councils	Jan 2019
Jane Portman, Bill Cotton	Bournemouth Borough Council	Jan 2019
Andrew Flockhart, Kate Ryan, Jan Thurgood	Borough of Poole	Jan 2019

The following individuals/groups have been consulted during the revised version of the policy

Name	Organisation	Date Consulted
Bridget West, Head of Insight, Policy & Performance	BCP Council	Sept 2019
Corporate Management Board	BCP Council	Sept/Oct 2019

Equalities Impact Assessment

Assessment date	29 th January 2019. The Local Code of Governance is a sign-posting tool which directs people to relevant policies, each of which should have already had an EIA or EIA screening tool carried out. As such, this overarching document does not require a separate full EIA.
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1. Introduction

- 1.1 The Local Code of Governance demonstrates BCP Council's commitment to the highest standards of corporate governance. The Local Code sets out its governance arrangements in relation to the seven best practice principles in the CIPFA/IFAC 'International Framework: Good Governance in the Public Sector' (see Section 4) and as required by the CIPFA/SOLACE Delivering Good Governance in Local Government Framework.

2. What is Corporate Governance?

- 2.1 Corporate governance comprises of the arrangements put in place to ensure that the intended outcomes for service users and stakeholders are defined and achieved, while acting in the public interest at all times. It is about doing the right things, in the right way, for the right people, in a timely, inclusive, open, transparent, honest and accountable manner.

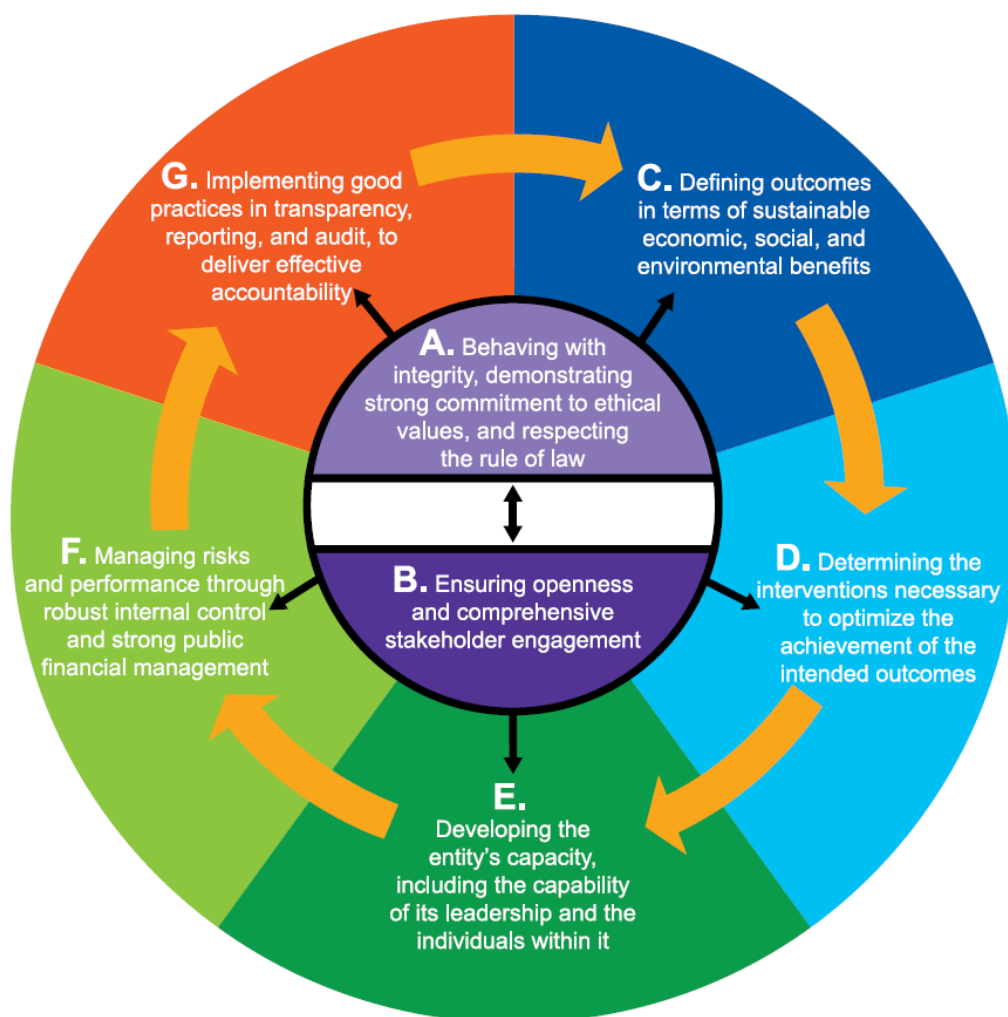
3. Responsibilities for Corporate Governance

- 3.1 All Members and officers have a responsibility for upholding the principles of good governance. It is a key responsibility for the Leader of the Council and the Chief Executive.
- 3.2 The Statutory Officers Group, comprising of the Monitoring Officer, the Chief Financial Officer and the Chief Executive are responsible for the development, delivery and review of robust corporate governance arrangements.
- 3.3 The Audit and Governance Committee has responsibility for monitoring and reviewing the Council's corporate governance arrangements.
- 3.4 The Chief Auditor produces an Annual Report to Audit and Governance Committee on the adequacy and effectiveness of the Council's systems of internal control.
- 3.5 The Annual Governance Statement is produced following a review of the effectiveness of the Council's corporate governance arrangements, as outlined in this Code. Any significant governance weaknesses are highlighted, and an action plan produced to address these issues, and monitored by the Audit and Governance Committee.

4 The Governance Framework

- 4.1 The diagram below, taken from the International Framework: Good Governance in the Public Sector, illustrates the various principles of good governance in the public sector and how they relate to each other.

“Achieving the Intended Outcomes while acting in the Public Interest at all times”



- 4.2 BCP Council's Local Code of Governance is based on this framework, and the table in section 6 demonstrates the Council's governance arrangements in relation to it.

5 How BCP meets the Principles of Good Governance

BCP has implemented new governance arrangements across the organisation. However, there is still reliance on legacy and/or hybrid arrangements in some areas whilst BCP considers and develops new policies and procedures. These are shown with an asterisk (*) in the table below.

Principles of Good Governance	How we meet these Principles
(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	The Constitution
	Member Code of Conduct
	Member-Member, and Member-Officer Protocols
	Decision making process for Committees and Members
	Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests)
	Standards Committee
	Councillor Development Framework
	Audit and Governance Committee
	Overview and Scrutiny Committee/s
	Member Registers of Interests and Registers of Gifts and Hospitality
	Member induction programmes and training plans
	Financial Regulations
	Statutory officers (including Monitoring Officer and Chief Financial Officer) fulfil duties in line with regulatory requirements
	Officer Code of Conduct *
	Officer induction programmes
	Mandatory learning including equality and fraud
	Officer Registers of Interests and Registers of Gifts and Hospitality *
	Scheme of Delegations to Officers *
	Decision making process for Officers *
	Record of Officer decisions *
	Record of Chief Executive's Delegated Authority decisions
	Officer Performance Development framework, including annual reviews *
	Corporate Complaints Procedure
	Equality and Diversity Policy and Governance Framework
	Recruitment and Selection Policy
	Behaviours Framework (under development)
	Counter Theft, Fraud and Corruption Policy
	Whistleblowing Policy
	Compliance with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption
	Serious and organised crime checklist
	Procurement Strategy *
	Contractual arrangements *
	Partnership Registers *
	Partnership Agreements *
	Investment and Change Governance Framework
	Corporate Values

	Staff Surveys
	Local Plan Local Development Scheme
	Council People Strategy
	Council Organisational Design (including Operating Model)
	Agreements with subsidiaries, partners, ALMO and external providers *

(B) Ensuring openness and comprehensive stakeholder engagement	Multi-channel public communications, including: email newsletters, BCP website, magazines, Facebook and Twitter
	Local Transparency Code, proactive publication and reporting - IG
	Online Council Tax information
	Corporate Strategy & Delivery Plan
	Decision making process for Committees and Members
	Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests)
	Record of Officer decisions *
	Record of Chief Executive's Delegated Authority decisions
	Corporate Complaints Procedure
	Social Care Statutory Complaints Procedure *
	Public/residential surveys, including online
	Key national data. e.g. the Census and Indices of Deprivation
	Joint Strategic Needs Assessment
	Research and Consultation Framework *
	<ul style="list-style-type: none"> - Public and officer consultations - Staff surveys - Local Forums
	Internal Communications Strategy (awaiting sign off)
	Media Relations Protocol
	Branding Guidelines
	Social Media Policy (in draft)
	Partnership Registers *
	Partnership Agreements *
	Neighbourhood Plans *
	Statement of Community Involvement

(C) Defining outcomes in terms of sustainable economic, social, and environmental benefits	Corporate Strategy & Delivery Plan
	Medium Term Financial Plan process
	Performance Monitoring Framework *
	<ul style="list-style-type: none"> - Service business and action plans * - Service performance monitoring * - Corporate performance monitoring *
	Joint Strategic Needs Assessment
	Research and Consultation Framework *
	<ul style="list-style-type: none"> - Public and officer consultations - Staff surveys - Local Forums
	Risk Management Framework *
	Capital Investment Strategy (Non-Treasury) 2019-2022
	Procurement Strategy *
	Investment Strategy *
	Decision making process for Committees and Members
	Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests)
	Record of Officer decisions *
	Record of Chief Executive's Delegated Authority decisions
	Equality and Diversity Policy and Governance Framework
	Corporate Management Board
	Capital Programme Board
	Transformation Programme Board
	Operational governance groups: <ul style="list-style-type: none"> - Transport Advisory Group - Asset Steering Group - Asset Investment Group - Education Capital Group - Phase 2 Harmonisation Projects - Phase 3 Workstreams
	Local Transport Plan*
	Local Plan *
	Contractual arrangements *
	Partnership Registers *
	Partnership Agreements *

(D) Determining the interventions necessary to optimise the achievement of the intended outcomes	Decision making process for Committees and Members
	Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests)
	Record of Officer decisions *
	Record of Chief Executive's Delegated Authority decisions
	Performance Monitoring Framework *
	<ul style="list-style-type: none"> - Service business and action plans - Service performance monitoring - Corporate performance monitoring
	Medium Term Financial Plan process
	Risk Management Framework *
	Corporate Strategy & Delivery Plan
	Benchmarking and research, including CFO Insights VFM Tool
	Capital Investment Strategy (Non-Treasury) 2019-2022
	Key Facts 2019 – State of Bournemouth, Christchurch and Poole Report
	Youth Justice Plan
	Council Safeguarding Strategy
	Pan-Dorset Safeguarding Children Partnership
	Local Government Organisation – Phase 3 Transformation of the Council
	Corporate Parenting Board
	Health & Wellbeing Board

(E) Developing the entity's capacity, including the capability of its leadership and the individuals within it	Performance Monitoring Framework *
	<ul style="list-style-type: none"> - Service business and action plans - Service performance monitoring - Corporate performance monitoring
	Benchmarking and research, including CFO Insights VFM Tool
	People Strategy
	Job descriptions for all employees *
	Roles of Cabinet, individual Cabinet Members and all other Members and Committees defined
	Roles of statutory officers (Chief Executive, Chief Financial Officer and Monitoring Officer) and other senior officers defined
	Member-Member, and Member-Officer Protocols
	Scheme of Delegations to Officers*
	The Constitution
	Member induction programmes and training plans
	Officer induction programmes
	Mandatory learning including equality and fraud
	Officer Performance Development framework, including annual reviews*
	Standards Committee
	Councillor Development Framework
	Public/residential surveys, including online
	Key national data. e.g. the Census and Indices of Deprivation
	Joint Strategic Needs Assessment
	Research and Consultation Framework*
	<ul style="list-style-type: none"> - Public and officer consultations - Staff surveys - Local Forums
	Corporate and HR policies and procedures, including those to support health and wellbeing*
	ICT Framework*
	Leadership development programme*
	Peer Reviews and Inspections
	Tier 3 Management Structure
	People Strategy
	Pay and Reward including Terms and Conditions
	Workforce Strategy for Children's Services

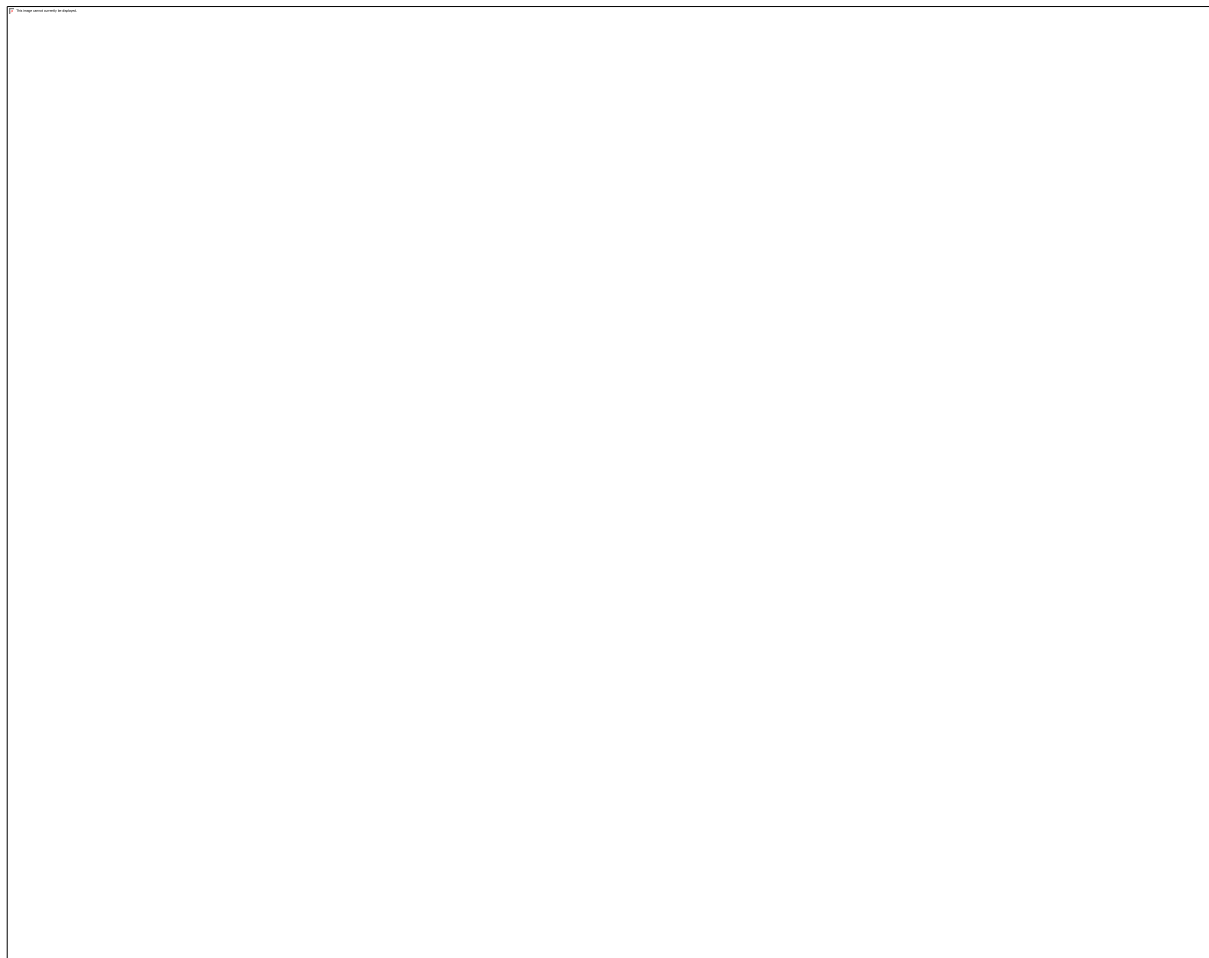
(F) Managing risks and performance through robust internal control and strong public financial management	Risk Management Framework*
	Performance Monitoring Framework
	<ul style="list-style-type: none"> - Service business and action plans - Service performance monitoring - Corporate performance monitoring
	Corporate Complaints Procedure
	Benchmarking and research, including CFO Insights VFM Tool
	Overview and Scrutiny Committee/s
	Internal Audit Charter operating to Public Sector Internal Audit Standards
	Risk-Based Annual Audit Plan and Key Assurance Work
	Chief Auditors Annual Report
	Counter Theft, Fraud and Corruption Policy
	Whistleblowing Policy
	Compliance with CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption
	Annual Governance Statement
	Audit and Governance Committee
	Information Governance Accountability Framework
	Medium Term Financial Plan process
	Financial Regulations
	Corporate Strategy & Delivery Plan
	Treasury Management Strategy
	Decision making process for Committees and Members
	Committee forward plans, agendas, reports (including legal, financial, equalities and risk impact) and minutes (showing decisions taken and declaration of interests)
	Record of Officer decisions*
	Record of Chief Executive's Delegated Authority decisions
	Corporate and HR policies and procedures*
	Health & Safety Policy*
	Fire Safety Policy*
	Emergency planning and resilience and arrangements (corporate)*

(G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability	Multi-channel public communications, including: email newsletters, BCP website, magazines, Facebook and Twitter
	Local Transparency Code, proactive publication and reporting
	Annual Financial Statements
	External audit reports: Audit Findings Report, Annual Audit Letter and Certification Report
	External reviews, including Ofsted and Peer Reviews
	Annual Governance Statement
	Internal Audit Function operating to Public Sector Internal Audit Standards
	Risk-Based Annual Audit Plan and Key Assurance Work
	Internal Audit recommendation implementation reported to Audit and Governance Committee
	Compliance with CIPFA's Statement on the Role of the Head of Internal Audit
	Partnership Registers*
	Partnership Agreements*

6 How BCP ensures Good Governance is delivered in practice

6.1 The Three Lines of Defence model is widely recognised across both the public and private sectors as a best practice approach to implementing effective risk management and corporate governance. It is designed to provide organisations with resilience in these areas, with each Line of Defence complementing the others, as summarised below:

6.2 BCP Council will adopt the following model



First Line: The First Line of Defence is responsible for the implementation of risk management and governance processes within the organisation. In BCP this is the responsibility of Management of all levels across all Services in the organisation.

Second Line: The Second Line of Defence is responsible for the provision of advice, guidance and policy in support of risk management and governance processes. This Line is also responsible for monitoring compliance with risk and governance requirements by services in the First Line. Typically, this role is fulfilled by corporate functions with defined governance and policy remits, for example:

- Emergency Planning
- Health and Safety
- Human Resources
- Information Governance
- Procurement

- Risk Management


Where there is no clear corporate function with responsibility for compliance, Corporate Management Board will pragmatically determine the need for this and who will act as the second line of defence in a proportionate response to the scope and remit of the function.

Third Line: The Third Line of Defence is responsible for providing independent assurance to Senior Management and Members on the effectiveness of the first two lines. In BCP this is the responsibility of the Internal Audit Service.



Audit & Governance Committee

Report subject	External Audit - Audit Finding Reports 2018/19 for Bournemouth and Poole Legacy Councils
Meeting date	10 October 2019
Status	Public
Executive Summary	<p>The attached reports set out the updated findings of the Councils' External Auditor following their audit of Bournemouth and Poole legacy Councils' Statement of Accounts 2018/2019. The key points to note are:</p> <ul style="list-style-type: none"> • Grant Thornton have provided an unqualified opinion on the financial statements for Bournemouth and Poole legacy Councils; and that • Grant Thornton were satisfied that, in all significant respects, the Bournemouth and Poole legacy Councils had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources, and therefore have issued unqualified value for money conclusions.
Recommendation(s)	<p>It is RECOMMENDED that:</p> <p>The Audit & Governance Committee notes the audit opinion and updated findings of the Councils' external auditor following their audit of Bournemouth and Pool legacy Councils' statement of accounts 2018/19.</p>
Reason for recommendation(s)	To ensure that the Audit & Governance Committee are fully informed of the audit opinion and updated findings of the Councils' External Auditor following their audit of Bournemouth and Poole legacy Councils' financial statements for the year ended 31 March 2019, as set out in the report attached.
Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Report Author(s)	<p>Nigel Stannard Head of Audit & Management Assurance ☎01202 451969 / 01202 633123</p>

	 nigel.stannard@bcpcouncil.gov.uk
Contributions	Simon Milne, Deputy Chief Internal Auditor Dan Povey, Assistant Chief Finance Officer
Wards	All
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 Bournemouth and Poole legacy Councils' Statement of Accounts 2018/2019. This report follows and updates previous Audit Findings Reports for Bournemouth and Poole Councils that were presented to Audit & Governance Committee on 25 July 2019. No changes have been required to the previous Audit Findings Report for Christchurch Council.

Audit Findings Reports

3. The attached updated Audit Findings Reports (Appendix A & B) highlight the key matters arising from the audit of Bournemouth and Poole legacy Councils' financial statements for the year ended 31 March 2019.
4. The following key issues from the updated reports are noted:
 - Grant Thornton have provided an unqualified opinion on the financial statements for Bournemouth and Poole legacy Councils; and that
 - Grant Thornton were satisfied that, in all significant respects, Bournemouth and Poole legacy Councils had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources (unqualified VFM conclusion).
5. For Bournemouth legacy Council (Appendix A) a number of adjustments were required for the Authority's Comprehensive Income and Expenditure Account, and a number of errors relating to the valuation of building assets were identified.
6. For Poole legacy Council (Appendix B) an adjustment was required for the Authority's Comprehensive Income and Expenditure Account.

Summary of Financial Implications

7. The Audit Fee for the work carried out by Grant Thornton has been reported previously to the legacy Bournemouth and Poole Council Audit (& Governance) Committees.
8. The attached updated Audit Findings reports state that additional work has been undertaken to complete the audits and the corresponding proposed audit fees (which are subject to the Public Sector Audit Appointments Ltd approval). The additional work was in response to additional national audit guidelines around auditing property values and the pension fund, plus the national McCloud pension issue as detailed in the attached reports.

Summary of Legal Implications

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

Summary of Human Resource Implications

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

Summary of Environmental Impact

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

Summary of Public Health Implications

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

Summary of Equality Implications

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

Summary of Risk Assessment

14. 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

Appendix B – BoP Grant Thornton Audit Findings Report for year ending 31/3/19

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The Audit Findings for Bournemouth Borough Council

 Year ended 31 March 2019

20 September 2019



Contents



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Section

- 1. Headlines
- 2. Financial statements
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Appendices

- A. Follow up of prior year recommendations
- B. Audit adjustments
- C. Fees
- D. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Bournemouth Borough Council ('the Authority') and the preparation of the group and Authority's financial statements for the year ended 31 March 2019 for those charged with governance.

185	Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Authority's financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the financial position of the group and Authority and the group and Authority's income and expenditure for the year; and• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June to September. Our findings are summarised on pages 5 to 18. We have identified a number of adjustments to the financial statements which resulted in adjustments being required to the Authority's Comprehensive Income and Expenditure Statement. The most significant related to the McCloud judgement in respect of the pension liability. In addition to adjusting the balance sheet, the Authority has treated this as an adjustment through Other Comprehensive Income rather than through service costs. We consider the Authority's treatment to be incorrect and have included this as an unadjusted error in Appendix B. There is no overall impact on the General Fund and the pension liability is correctly stated.</p> <p>We also identified a number of errors relating to the valuation of land and buildings assets. The most significant were that the land element of the Bournemouth International Centre had been overvalued in previous years by £11,667k, due to an error in the calculation. As this is a material error, a prior period adjustment has been made. We also identified that an arithmetical error had been made in calculating the valuation of the Bournemouth Library and in producing the overall valuation of the Authority's housing stock. These errors have been corrected in the accounts. Further detail on the errors identified are set out in Appendix B. None of these adjustments impact on the General Fund but do reflect the need to improve the Authority's approach to asset valuations.</p> <p>Our follow up of recommendations from the prior year's audit and a further recommendation arising from the valuation errors identified are detailed in Appendix A.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our audit report opinion is unqualified including an Emphasis of Matter paragraph reflecting that the Authority has demised with services passing to Bournemouth, Christchurch and Poole Council.</p>
	Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Authority's value for money arrangements. We have concluded that Bournemouth Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore issued an unqualified 'value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 19 to 22.</p>

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Bournemouth Borough Council ('the Authority') and the preparation of the group and Authority's financial statements for the year ended 31 March 2019 for those charged with governance.

Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and• To certify the closure of the audit.	<p>We have not exercised any of our additional statutory powers or duties</p> <p>We have completed our work under the Code and certified the completion of the audit when we give our audit opinion.</p>
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Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- an evaluation of the components of the group based on a measure of materiality considering each as a percentage of total group assets and revenues to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that an analytical audit response was required for, The Five Parks Charitable Trust, Bournemouth Building and Maintenance Company Limited, Seascope Group Limited (formally Bournemouth Borough Council Group), Seascope South Limited, Seascope Homes and Property Limited, Tricuro Limited and Bournemouth Development Company LLP components and a targeted approach was required for Russell-Cotes Art Gallery and Museum Charitable Trust and The Lower Central Gardens Charitable Trust component, due to the size of their assets..

- an evaluation of the group's internal controls environment including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter or change our audit plan, as communicated to you on 15 January 2019 and included on this agenda.

Conclusion

We have completed our audit of your financial statements and we issued an unqualified audit opinion on receipt of the signed statements of accounts as detailed in Appendix D.

Summary - Materiality

Our approach to 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.

Materiality calculations at the planning stage were based on prior year expenditure. Gross expenditure has changed in 2018/19 and our materiality calculations have been adjusted. Our final materiality reflects the updated outturn position. We detail in the table below our assessment of materiality for Bournemouth Borough Council, including a separate materiality for the group financial statements.

	Group Amount (£)	Authority Amount (£)
Materiality for the financial statements	9.3 million	9.2 million
Performance materiality	6.97 million	6.9 million
Trivial matters	465,000	460,000

Significant audit risks

Risks identified in our Audit Plan		Commentary
189	<div>1</div> <div>Improper revenue recognition Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</div>	<div>Auditor commentary 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:<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.Therefore we do not consider this to be a significant risk for Bournemouth Borough Council.</div>
	<div>2</div> <div>Management override of controls 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. We identified management override of controls as a risk requiring special audit consideration.</div>	<div>Auditor commentary We carried the following audit procedures in response to this risk:<ul style="list-style-type: none">– review of accounting estimates, judgements and decisions made by management;– testing of journal entries;– review of unusual significant transactions;– review of significant related party transactions outside the normal course of business.Our audit work has not identified any evidence of management over-ride of controls. We set out later in this section of the report our work and findings on accounting estimates and judgements. Our testing identified that year end reallocation journals posted by the Chief Accountant had not been subject to separate authorisation. Although we are satisfied that these journals were correct, this represents a weakness in controls.</div>

Commentary

Valuation of property, plant and equipment

The Authority's policy is to revalue its land and buildings on a five year rolling basis, to ensure that the carrying value is not materially different from current value. In addition to the rolling programme the Authority values its dwellings and all assets with a value of over £1 million each year at the 1 April.

This represents a significant estimate by management in the financial statements. We identified the valuation of land and buildings revaluations as a risk requiring special audit consideration.

Auditor commentary

We carried out the following audit procedures in response to this risk:

- review of management's processes and assumptions for the calculation of the estimate;
- review of the competence, expertise and objectivity of management experts used;
- review of the instructions issued to valuation experts and the scope of their work;
- discussions with the Authority's valuer about the basis on which the valuation was carried out, challenging the key assumptions;
- review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding;
- sample testing of beacon properties in the HRA;
- testing of revaluations made during the year to ensure they were input correctly into the Authority's asset register;
- evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different from current value.

The valuer previously carried out the valuation of council dwellings at 1 April 2018 and undertook a desk top review of housing indices, amending the valuations to ensure that the carrying value of dwellings on the balance sheet reflects the current value. This year the valuer has valued council dwellings at 31 March 2019.

We have challenged the Authority's valuers and their assessment of changes in asset values during the year and requested that management carry out a further review of all valuations undertaken during the year..

We have obtained independent sources of evidence from Gerald Eve as auditors expert to challenge the valuation of assets and conclude that the carrying value of assets at the year end is not materially different from the current value.

We identified a number of errors in the valuation schedules these are detailed in Appendix B

We also identified that following a change in the approach to valuations this year, assets last revalued in 2013/14 had not been subject to a formal revaluation. We are satisfied that this has not resulted in a material misstatement however it does represent a failure to comply with the requirements of the CIPFA Code of Practice, which considers that all assets should be revalued every 5 years.. Significant improvements are needed in the Authority's valuation process.

We have raised a recommendation in this area as detailed in Appendix A.

Significant audit risks

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Risks identified in our Audit Plan	Commentary
<div data-bbox="73 339 107 371">4</div> <div data-bbox="150 323 757 451">Valuation of pension fund net liability The Authority's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</div> <div data-bbox="150 483 757 547">We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</div>	<div data-bbox="781 323 2179 363">Auditor commentary</div> <div data-bbox="781 371 2179 403">We carried out the following audit procedures in response to this risk:</div> <div data-bbox="781 411 2179 890"><ul style="list-style-type: none">identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement;review of the scope of the actuary's work;review of the competence, expertise and objectivity of the actuary who carried out the Authority's pension fund valuation;gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made;review of the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.reviewed if there are any departures from the actuary's recommended assumptions – none noted;reviewed the duration of liabilities of the Authority to ensure assumptions used are appropriate to the asset and liability profile of the authority</div> <div data-bbox="781 898 2179 1121"><p>We have compared the actuary's assumptions to the report provided by the auditor's expert.</p><p>We have obtained confirmation from the auditor of the Dorset Pension Fund over the accuracy and completeness of source data provided to the actuary and of the controls in place to ensure that member data is correct.</p><p>We have reviewed the actual contributions and benefits paid compared with the estimated data used by the actuary to ensure the estimates are reasonable.</p><p>Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.</p></div>

Significant findings - other issues

Issue	Commentary	Auditor view
<p>Potential impact of the McCloud judgement</p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for these pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p>	<p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.</p> <p>The Authority requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £5,880k, with a corresponding entry impacting on past and current service costs.</p> <p>Although management's view is that the impact of the ruling is not material for Bournemouth Borough Council, management has determined that an adjustment should be made to the financial statements to reflect the most complete position.</p> <p>Management has however made an adjustment to Other Comprehensive Income and Expenditure rather than through costs of services. The impact of this treatment results in an immaterial misclassification error to the financial statements. There is no overall impact on the general fund and the pension liability is correctly stated</p>	<p>We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.</p> <p>In our view there is sufficient evidence to indicate that a liability is probable, and we concur with managements decision to amend the financial statements. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Authority's liability.</p> <p>We have included this as an adjusted misstatement within Appendix B.</p> <p>We have also included an unadjusted misstatement in respect of the treatment of the service costs element within Appendix B.</p>

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for NNDR appeals - £3.5m	The Authority is responsible for repaying a proportion of successful rateable value appeals. Management calculates the level of provision required and is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. An increase in the provision during the year of £3.6 m in 2018/19 has been made.	<ul style="list-style-type: none">The underlying information used to determine the estimate appears appropriate;the financial statements include appropriate disclosure of the nature and the Authority's approach to the calculation of this provision.	<div><div></div><div>Green</div></div>

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

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Accounting area	Summary of management's policy	Audit Comments
Land and Buildings – Council Housing -£317m	<p>The Authority owns 5,112 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.</p> <p>The Authority has engaged its internal valuer, to complete the valuation of these properties. The year end valuation of Council Housing was £317 m, a net increase of £9.6m from 2017/18 (£307m). There was also a small increase in the number of dwellings.</p>	<ul style="list-style-type: none">• The Authority's internal valuer last valued the entire housing stock as at 31 March 2019 using the beacon methodology. This approach is a change from previous valuations which were carried out reflecting 1 April values and an index applied to reflect market movements.• Our testing raised a number of queries that resulted in the valuation of council houses being revised from £328 million to £317 million. The errors arose from mathematical and formulae errors in the valuation schedules. .• We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report.• We have carried out sample testing of beacon properties against market values of similar properties and have no issues to report.• The estimate is consistent with valuation trends of similar properties (Gerald Eve report) with house prices for the region increasing by 1.3%. The valuers review is based on a more detailed review of house price movements in Bournemouth with reference to a number of sources. We are satisfied that the increase in value of 3.1% is reasonable.• We have agreed the HRA valuation report to the Statement of Accounts.• We have raised a recommendation in this area in Appendix A•

Significant findings – key judgements and estimates





	Summary of management’s policy	Audit Comments
Land and Buildings – Other - £341m	<p>Other land and buildings comprises £121m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£220m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Authority has engaged its internal valuer to complete the valuation of properties as at 1 April 2018 on a five yearly cyclical basis. 63% of total assets were revalued during 2018/19, including all assets with a value in excess of £1 million..</p> <p>Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 1 April 2018, based on the market review provided by the valuer as at 31 March 2019, to determine whether there has been a material change in the total value of these properties. Management’s assessment of assets not revalued has identified no material change to the properties value. The total year end valuation of other land and buildings was £341m, a net increase of £27m from 2017/18 (£314m).</p>	<ul style="list-style-type: none">• We have assessed the Authority’s internal valuer, to be competent, capable and objective.• We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report.• We identified weaknesses in management’s review and challenge of the valuer and requested that management carry out a further review of all valuations undertaken during the year.• The valuation method remains consistent with the prior year.• We confirm consistency of the estimate against the Gerald Eve report, and reasonableness of the increase in the estimate.• We have agreed the General Fund valuation report to the Fixed Asset Register and to the Statement of Accounts.

Significant findings – key judgements and estimates

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	Summary of management's policy	Audit Comments	Assessment																								
Net pension liability – £362.945 m	<p>The Authority's net pension liability at 31 March 2019 is £362.545m (PY £359.320.m) comprising the Dorset Local Government and unfunded defined benefit pension scheme obligations.</p> <p>The Authority uses Barnett Waddingham LLP to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £13.1m net actuarial gain during 2018/19.</p>	<ul style="list-style-type: none">We have assessed the Authority's actuary, Barnett Waddingham, to be competent, capable and objective.We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2018/19 roll forward calculation carried out by the actuary and have no issues to raise.We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:																									
		<table><tr><th>Assumption</th><th>Actuary Value</th><th>PwC comments</th><th>Assessment</th></tr><tr><td>Discount rate</td><td>2.40%-2.50%</td><td>Assumption is reasonable and towards the more optimistic end of expected ranges</td><td> Green</td></tr><tr><td>Pension increase rate</td><td>2.50%-2.40%</td><td>Assumption is reasonable and towards the more optimistic end of expected ranges</td><td> Green</td></tr><tr><td>Salary growth</td><td>3.9% to 2020</td><td>Lies within the 3.1% to 4.35% range</td><td> Green</td></tr><tr><td>Life expectancy – Males currently aged 45 / 65</td><td>Pensioners: 22.9-24.8 Non-pensioners: 22.9-24.8</td><td>Assumption is based on the CMI 2013 model and allowance is towards more prudent end of expect ranges</td><td> Green</td></tr><tr><td>Life expectancy – Females currently aged 45 / 65</td><td>Pensioners: 24.1-25.1 Non-pensioners: 26.2-26.9</td><td>Assumption is based on the CMI 2013 model and allowance is towards more prudent end of expect ranges</td><td> Green</td></tr></table>	Assumption	Actuary Value	PwC comments	Assessment	Discount rate	2.40%-2.50%	Assumption is reasonable and towards the more optimistic end of expected ranges	 Green	Pension increase rate	2.50%-2.40%	Assumption is reasonable and towards the more optimistic end of expected ranges	 Green	Salary growth	3.9% to 2020	Lies within the 3.1% to 4.35% range	 Green	Life expectancy – Males currently aged 45 / 65	Pensioners: 22.9-24.8 Non-pensioners: 22.9-24.8	Assumption is based on the CMI 2013 model and allowance is towards more prudent end of expect ranges	 Green	Life expectancy – Females currently aged 45 / 65	Pensioners: 24.1-25.1 Non-pensioners: 26.2-26.9	Assumption is based on the CMI 2013 model and allowance is towards more prudent end of expect ranges	 Green	
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Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

Summary of management’s policy	Audit Comments
Net pension liability – continued	<ul style="list-style-type: none">• We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.• We have confirmed there were no significant changes in 2018/19 to the valuation method.• We conducted an analytical review to confirm reasonableness of the Authority’s share of LPS pension assets.• Reasonableness of increase in estimate – following the McCloud ruling, as detailed on page 10, the Authority has agreed to revise its estimate and increase the pension liability by £5.88m.

Going concern

Our responsibility

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 entity’s ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management’s assessment process

Management has considered CIPFA’s guidance on going concern for local government and has reviewed the financial position and reserves of the Authority. Due to the reorganisation of local government services in Dorset, the Authority ceased on 31 March 2019.

Auditor commentary

- Management has undertaken a robust and well documented assessment of the use of the going concern assumption and demonstrated that no material uncertainties exist.
- We concur with management’s assessment of the use of going concern basis of accounting.
- It should be noted that although the Authority ceased on 31 March 2019, going concern in the context of local government should be considered in the context of the CIPFA code ‘an Authority’s financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern’.
- Preparation of the accounts on a going concern basis is therefore appropriate

Work performed

We reviewed management’s assessment of the use of the going concern basis of accounting and consideration of any material uncertainties.

Auditor commentary

- No issues were identified.

Concluding comments

Auditor commentary

- No issues were identified from our consideration of management’s assessment of going concern or through our audit procedures. An unmodified opinion in respect of going concern will be given.
- We have however included an emphasis of matter paragraph reflecting the transfer of services to the new authority.

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit and Governance Committee of Bournemouth Borough Council. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed. Management was asked to include transactions with the Authority's charitable trust's within its related party note.
3	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the included in the Audit and Governance Committee papers. Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for the current value of land and building assets.
5	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management, permission to obtain confirmations from the Public Works Loans Board and other lenders for loans and requested from management permission to send confirmation requests to various institutions for bank and investment balances. This permission was granted and the requests were sent. All responses required were returned.
6	Disclosures	<ul style="list-style-type: none"> Our review identified a number of omissions in relation to the new financial reporting standards IFRS 9 and IFRS 15.
7	Significant difficulties	<ul style="list-style-type: none"> We experienced no significant difficulties in undertaking our audit work, however we have identified a number of disclosure errors and misclassifications in the financial statements and the quality of working papers to support the figures in the financial statements requires improvement. Our work on land and buildings valuations also identified that processes for oversight, review and challenge of the work of managements expert needs to be improved. We appreciate that the work required by the Authority's officers to prepare for local government reorganisation has impacted on preparation for the audit and will work with finance staff to clearly set out our requirements for the audit of Bournemouth, Christchurch and Poole Council and improve the quality of working papers and supporting audit evidence.

Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

Issue	Commentary
① Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect – refer to Appendix D</p>
② Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
003 ③ Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Authority does not exceed the threshold</p>
④ Certification of the closure of the audit	<p>We intend to certify the closure of the 2018/19 audit of Bournemouth Borough Council in the audit opinion, as detailed in Appendix D.</p>

Value for Money

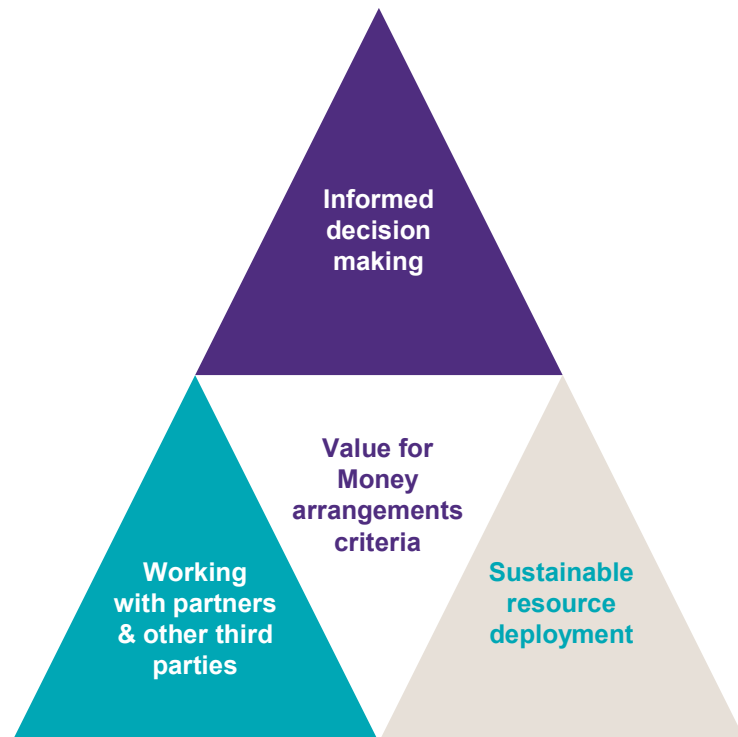
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 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.

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:



Risk assessment

We carried out an initial risk assessment in December 2018 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated January 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

The risks that we identified were as follows:

- financial sustainability;
- Bournemouth Investment Asset Strategy

Our risk assessment is a dynamic process and we have had regard to new information which emerged since we issued our Audit Plan: No additional significant risks have been identified.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Authority's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Authority's arrangements. In arriving at our conclusion, our main considerations were:

- the Authority's arrangements for delivering its budget including the arrangements for monitoring and reporting performance against budget;
- arrangements for implementing and monitoring delivery of the Bournemouth Investment Asset Strategy.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 20-21.

We have also noted the findings of the Ofsted inspection undertaken in 2018, which concluded gave the Authority a requires improvement in a number of areas and inadequate in respect of the impact of leaders on social work practice with children and families. We note that a Post Inspection Improvement Plan Board was set up to monitor progress to address the issues raised, which will now be overseen by the Children's Services Overview and Scrutiny Committee of BCP Council, as part of the wider arrangements.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Financial 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 adverse 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.

Findings

Revenue outturn for 2018/19

We have reviewed the Authority's outturn against budget and arrangements for financial planning. The Authority achieved a balanced financial outturn after meeting the in year costs associated with local government reorganisation. The most significant variance reported by the Authority, is an underspend of £3.3 million against the adult social care budget, which has been an area of significant overspend in previous years. This favourable outturn the Authority has been achieved by transfer to a new Adult Social Care Management System and a review of practices within the department allowing resources to be released to support other areas within the Authority, including costs associated with LGR, rather than this being funded using reserves.

Auditor View

The Authority has continued to operate under significant financial pressures, however, it has effective arrangements in place to routinely monitor its budget and take appropriate action to mitigate against any significant variances or additional calls on resources. This is the last budget and outturn report that the Authority will produce. The services of Bournemouth Borough Council transferred to the new Bournemouth, Christchurch and Poole Council on 1 April 2019. The balanced financial position contributes to the opening financial position for the new Authority allowing a higher level of reserves to support the new Authority going forward.

Significant risk

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 Authority 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.

Findings

The Authority included £145 million towards progressing the Investment Asset Strategy in capital plans for the year. The approval by the Secretary of State for Local Government Reorganisation (LGR) in Dorset has seen the Authority reign back on these plans during the year, to focus on delivering LGR, and so plans can be aligned with the new wider geography and ambitions of the new Authority. The total spend for the year totalled £2 million.

Auditor View

Following the approval for LGR in Dorset, the Authority has paused its programme of investment.

Independence and ethics

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 confirm that we, as a firm, and each covered person, 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 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following non-audit services were identified which were charged from the beginning of the financial year to 19 September, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	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 £99,296 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.
Certification of Teachers Pensions	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 £99,296 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.
Certification of Housing Benefit Subsidy	14,000	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 £14,000 in comparison to the total fee for the audit of £99,296 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.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Chief Finance Officer. None of the services provided are subject to contingent fees.

Action plan

We have identified two recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
206	<div><div>●</div><div><ul style="list-style-type: none">Management instruct an expert, a member of the Authority’s in-house valuation team to undertake valuations of council dwellings and other land and buildings assets.A number of mathematical errors were identified in the valuation schedules provided to management by the valuer for both council dwellings and other land and buildings. A further review of all valuations undertaken during the year was carried out by a different valuer within the Authority’s property services department with no further discrepancies identified.We also identified that following a change in the instructions to the valuer, assets last subject to valuation in 2013/14 had been omitted from the valuation instruction.The errors identified reflect that management has not undertaken a review of property valuations provided by the valuer or made enquiries where valuations resulted in significant movements year on year or sought to challenge these movements.</div></div>	<ul style="list-style-type: none">Management should ensure that appropriate procedures are implemented in the new Authority to ensure that information received from management’s experts is subject to review and challenge.Management should ensure that instructions to the valuer are reviewed and comply with the requirement of the Local Authority Code of Practice.Management responseBournemouth, Christchurch and Poole Council are already engaging with the valuers to ensure that the work they carry out in the future is in compliance with the Local Authority Code of Practice. Internal processes will be built into ensure that the valuations are reviewed and challenged where necessary.

Controls
● High – Significant effect on control system
● Medium – Effect on control system
● Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of Bournemouth Borough Council's 2017/18 financial statements, which resulted in a recommendation being reported in our 2017/18 Audit Findings report. We have followed up on the implementation of our recommendation and note the recommendation below is still to be considered.

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partial	<p>Movements in valuation of land and buildings</p> <ul style="list-style-type: none">• The Authority instructs its internal valuers to revalue council houses and the 25 highest value assets annually, other land and buildings are revalued on a rolling five year programme. The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. As a result of the Authority's policy, however, individual assets may not be revalued for four years.• This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end current value. In addition, as the valuation is undertaken as at 1 April , there is a risk that the carrying value at year end does not reflect the current value at the year end.	<p>For Council dwellings the valuer has provided a valuation at 31 March 2019. For other assets the valuation date remains at 1 April, although the valuer has considered whether any material movements have occurred since the date of valuation.</p> <p>The Authority should assess the appropriateness of revaluing fixed assets at the start of the accounting period and whether asset valuations could be carried out closer to the year end to reduce the risk of a material misstatement arising.</p> <p>Management response</p> <p>Bournemouth Christchurch and Poole Council is undertaking a review of its valuation processes including the date of future revaluations for both investment properties and other land and buildings.</p>

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

208	Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
	1 Potential impact of the McCloud judgement	5,880	(5,880)	5,880
	The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for pension schemes where transitional arrangements on changing benefits have been implemented.			
	The Authority has received an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £5.880m. Management has adjusted the pension liability for this figure and has made a corresponding entry to the pensions reserve.			
	The increase in service costs has been treated as an increase to actuarial losses on pensions assets/liabilities rather than as an increase in service costs. This treatment results in an unadjusted classification error in the financial statements.			
	2 Dedicated Schools grant	+/-10,582		
	An error was identified in the treatment of the dedicated schools grant and corresponding expenditure with schools. Both income and expenditure were overstated by £10,582,000. Overall this has no impact on total net expenditure.			
	3 Investment Properties	-3,566	1,530	(3,566)
	Testing identified that the upward revaluation of the Madeira Road student accommodation ha not been recognised in the financial statements.			
	4 Loans		+/-773	
	The loan to purchase the Madeira Road student accommodation had not been split between long term and short term elements.			

Audit Adjustments

Impact of adjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
5 Amendments to land and buildings valuations Our testing identified a number of errors in the valuation figures included within both the single entity and group accounts financial statements. The valuation of Bournemouth International Centre- It was identified that the value of the land included within the valuation was overvalued by £11.7m due to a calculation error in previous years. As this results in a material change in the value of the asset, a prior period adjustment has been made. to correct this.	(8,667)	11,981	(8,667)
Council dwellings- A number of mathematical errors were identified in the valuation schedules and the number of dwellings within each beacon did not reflect movements during the year. This has resulted in a decrease in the reported valuation of council dwellings of £8.4m and a corresponding adjustment to the depreciation charged in year of £26k. Following our enquiries the valuer has also updated his valuations to reflect the value at 31 March 2019, rather than an indexed 1 April 2018 valuation. To reflect that the valuation is at the year end, depreciation has been written out to the revaluation reserve reflecting that the net book value carried for is consistent with the carried forward valuation.	(2,482)	(8,474)	(2,482)
Bournemouth Library. The valuation of the Bournemouth library building was incorrect due to a mathematical error. This has resulted in the valuation of the library reducing from £12 million to £10 million with an corresponding impact on depreciation. The PFI asset column in note 11 was also amended to reflect this change.	(79)	(1,920)	(79)
As a result of the errors identified a check of all valuations undertaken in the year was carried out by the property services manager (a RICS qualified valuer) and no further errors were identified.			
Overall impact	£(8,914)	£(2,763)	£(8,914)

Audit Adjustments

Impact of adjusted misstatements

Detail		Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
1	Amendments to group accounts			
	Following a review of the classification of the Russell Cotes building held in the Russell Cotes Art Gallery and Museum Charitable Fund, a subsidiary entity of the Authority, the Authority considered that due to its nature and the purpose for which it is held this building should be considered a heritage asset rather than an operational asset.		+/- 21,026	
	The art collection held by the Russell Cotes Art Gallery and Museum Charitable Fund did not reflect the most up to date valuation.		614	
	The asset valuations for the group charities were revised to reflect the 2018/19 final values	Nil impact	457 Nil impact	Nil impact
	The Authority reviewed the consolidation basis for the Bournemouth Development Company LLP and concluded that as the Authority did not have overall control of the entity, it should be consolidated using the equity accounting method, only accounting for the Authority's share of the profit and net assets.	Nil impact	Nil impact	Nil impact
	Testing identified that the Authority had incorrectly removed related party transactions with Tricuro Ltd..			
Overall impact		£nil	£1,071	£nil

Audit Adjustments - Unadjusted

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail		Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1	Impact of the McCloud judgement on service costs	+/-5,880		0	The impact is not material and is a classification error. The entry is reversed through the MIRS and has no overall impact.
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Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes



The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

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Disclosure omission	Detail	Auditor recommendations	Adjusted?
Contingent Liabilities	Following enquiries with the monitoring officer we identified two areas of potential litigation that warranted disclosure as a potential contingent liability.	The contingent liabilities disclosure should be revised to reference these matters.	✓
Narrative Report	The narrative report should reference areas of significance. We considered that this was not sufficiently disclosed in the draft report.	The narrative report amended to reference the significant areas identified in the Annual Governance Statement.	✓
Fair Value of PWLB loans	The Authority has instructed a management expert to provide fair value figures for its financial instruments for disclosure in the accounts. Our testing identified a difference in the method of calculating fair value for one of the loans.	The Authority should consider whether fair values are calculated on a consistent basis and that the method used is in line with expectations.	✓
Impact of IFRS 15 - Revenue	No disclosure was included within the financial statements reflecting the requirements of IFRS 15	Narrative note added to identify revenue from service recipients.	✓
Impact of IFRS 9- Financial Instruments	The implementation of IFRS 9, requires more detailed disclosures in respect of expected credit losses	The Authority has amended the disclosures to more fully reflect the requirements of the new standard	✓
Property, plant and equipment- Derecognition	.Disposals of other land and buildings were misclassified as derecognition rather than disposals.	The property plant and equipment note was amended to reclassify the disposal of buildings from derecognition to disposals	✓

Audit Adjustments

Misclassification and disclosure changes

Disclosure changes	Detail	Auditor recommendations	Adjusted?
Senior Officers Remuneration	<p>An error was identified in the disclosure of senior officers remuneration. The compensation for loss of office for the managing director was incorrectly included twice within the table.</p> <p>The Chief Executive of BCP Council was included within the note. Although payment was made by Bournemouth Borough Council prior to the commencement of the new Council, he was not a senior officer of Bournemouth Borough Council.</p>	The Senior Officers Remuneration note was amended to reflect these changes.	
Other amendments	Our audit work identified a number of typographical and consistency errors.	The Authority should review the financial statements to ensure that all typographical and casting errors are identified and corrected.	

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit Fees

Our Audit Plan included a PSAA published scale fee for 2018/19 of £88,796. Our audit approach, including the risk assessment, continues as the year progresses and fees are reviewed and updated as necessary as our work progresses.

Update to our risk assessment – Additional work in respect of the audit code

The table below sets out the additional work which we have undertaken to complete the audit, along with the impact on the audit fee where possible. Please note that these proposed additional fees are estimates based on our best projection of work and will be subject to approval by PSAA in line with the Terms of Appointment.

Additional Audit Fees

Area of work	Timing	Comment	£
Assessing the impact of the McCloud Ruling	June – July 2019	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statement along with any audit reporting requirements. This included consultation with our own internal actuary in their capacity as an auditor expert.	1,500
Pensions – IAS 19	June - July 2019	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year.	3,000
PPE Valuation – work of experts	June - September 2019	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE Valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	6,000

Total Audit Fees

Audit fee	Actual 2017/18 fee £	Planned 2018/19 fee £	Final 2018/19 fee £
Authority Audit	115,320	88,796	88,796
Additional Audit Fees (see above)	-	-	10,500
Total audit fees (excl VAT)	115,320	88,796	99,296

Non Audit Fees

Fees for other services	Fees £
Audit related services:	
• Certification of Housing Benefit (estimate)	14,000
• Certification of teachers pension	3,000
• Certification of pooling of housing capital receipts return	3,000
• CFO Insights	5,000
• 2017/18 Objection	3,087
Total fees for other services	28,087

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit Fees

	Proposed fee	Final fee
Authority Audit	£88,796	£99,296
Audit of subsidiary company Bournemouth Building and Maintenance Limited	£8,000	8,000
Audit of subsidiary company Seascape Group Limited	£3,000	6,500
Audit of subsidiary company Seascape South Limited	£2,000	5,000
Audit of subsidiary company Seascape Home and Property Limited	£2,000	4,250
Audit of subsidiary company Russell Cotes Art Gallery and Museum Charitable Funds	£5,000	5,000
Audit of subsidiary company The Lower Central Gardens Charitable Funds	£5,000	5,000
Audit of subsidiary company The Five Parks Charitable Funds	£5,000	5,000
Work in respect of an objection to the 2017/18 accounts	£3,087	£3,087
Total audit fees (excluding VAT)	£121,883	£141,133

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA) Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.
The audit for the subsidiary companies have not been completed at this date.

Audit opinion

We provided the Group with an unmodified audit report

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Independent auditor’s report to the members of Bournemouth, Christchurch and Poole Council as successor body to Bournemouth Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bournemouth Borough Council (the ‘Authority’) and its subsidiary (the ‘group’) for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Housing Revenue Account, the Collection Fund, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group’s expenditure and income and the Authority’s expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group’s or the Authority’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of Matter - Local Government Reorganisation in Dorset

We draw attention to the disclosures made in note 4 to the core financial statements concerning local government reorganisation in Dorset. As stated in note 4, the Authority ceased to exist on 31 March 2019 on the creation of two new unitary authorities in Dorset and from 1 April 2019 the Authority’s services, functions, assets and liabilities transferred to Bournemouth, Christchurch and Poole Council. Our opinion is not modified in respect of this matter.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement other than the Authority and group financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the ‘Delivering Good Governance in Local Government: Framework (2016)’ published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 8, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee of Bournemouth, Christchurch and Poole Council as successor body to Bournemouth Borough Council is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in

accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Appendix Group Entities

The entities forming the Bournemouth Borough Council group are set out below.

Bournemouth Borough Council
Bournemouth Building and Maintenance Limited
Seascape Group Limited
Seascape South Limited
Seascape Home and Property Limited
Russell Cotes Art Gallery and Museum Charitable Funds
The Lower Central Gardens Charitable Funds
The Five Parks Charitable Funds
Bournemouth Development Company LLP
Tricuro Limited



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The Audit Findings for Borough of Poole

~~Year~~ ended 31 March 2019

2 August 2019



Contents



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- 2. Financial statements
- 3. Value for money
- 4. Independence and ethics

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Appendices

- A. Follow up of prior year recommendations
- B. Audit adjustments
- C. Fees
- D. Audit Opinion

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Borough of Poole ('the Authority') and the preparation of the group and Authority's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Authority's financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the financial position of the group and Authority and the group and Authority's income and expenditure for the year; and• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June/July. Our findings are summarised on pages 5 to 17. We have identified one adjustment to the financial statements which resulted in an adjustment being required to the Authority's Comprehensive Income and Expenditure Statement. This related to the McCloud judgement in respect of the pension liability. See Appendix B. In addition to adjusting the balance sheet, the Authority has treated this as an adjustment through Other Comprehensive Income rather than through service costs. We consider this treatment to be incorrect and have included this as an unadjusted error in Appendix B. There is no overall impact on the general fund and the pension liability is correctly stated.</p> <p>Our follow up of recommendations from the prior year's audit are detailed in Appendix A.</p> <p>Our work is now complete and there are no matters that required modification of our audit opinion Appendix D or material changes to the financial statements.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our audit report opinion was unqualified including an Emphasis of Matter paragraph reflecting that the Authority has demised with services passing to Bournemouth, Christchurch and Poole Council.</p>
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Headlines

Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Authority's value for money arrangements. We have concluded that Borough of Poole has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore issued an unqualified 'value for money conclusion, as detailed in Appendix D. Our findings are summarised on pages 18 to 20.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and• To certify the closure of the audit.	<p>We have not exercised any of our additional statutory powers or duties</p> <p>We have completed our work under the Code and certified the completion of the audit when we gave our audit opinion.</p>

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Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

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5
Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- an evaluation of the components of the group based on a measure of materiality considering each as a percentage of total group assets and revenues to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that an analytical audit response was required for Tricuro Ltd and a targeted approach for Poole Housing Partnership Ltd (PHP), focussing on the pension liability figure.

- an evaluation of the group's internal controls environment including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter or change our audit plan, as communicated to you on 15 January 2019 and included on this agenda.

Conclusion

We have completed our audit of your financial statements and issued an unqualified audit opinion on 1 August 2019, as detailed in Appendix D.

Summary - Materiality

Our approach to 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.

Materiality calculations at the planning stage were based on prior year expenditure. Gross expenditure has reduced in 2018/19 and our materiality calculations have been adjusted. We detail in the table below our assessment of materiality for Borough of Poole, including a separate materiality for the group financial statements.

	Group Amount (£)	Authority Amount (£)
Materiality for the financial statements	5.7 million	5.5 million
Performance materiality	4.275 million	4.125 million
Trivial matters	285,000	275,000

Significant audit risks

1

Risks identified in our Audit Plan

Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Commentary

Auditor commentary

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:

- 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.

Therefore we do not consider this to be a significant risk for Borough of Poole.

2

Management override of controls

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. We identified management override of controls as a risk requiring special audit consideration.

Auditor commentary

We carried the following audit procedures in response to this risk:

- review of accounting estimates, judgements and decisions made by management;
- testing of journal entries;
- review of unusual significant transactions;
- review of significant related party transactions outside the normal course of business.

Our audit work has not identified any evidence of management over-ride of controls.

We set out later in this section of the report our work and findings on accounting estimates and judgements.

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Significant audit risks

	Risks identified in our Audit Plan	Commentary
3	Valuation of property, plant and equipment <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£661.983m) and the sensitivity of this estimate to changes in key assumptions</p> <p>The Authority's policy is to revalue its land and buildings on a five year rolling basis and engages two external valuation firms to complete this work overseen by the Authority's property services department. The valuation is carried out at the 31 December with any significant changes between this date and the year end being reflected in the final valuation reports received.</p> <p>The Authority's property services department also undertakes a review of assets not revalued in the year to inform valuation decisions and to ensure that the carrying value is not materially different from the current value and to inform valuation decisions. Council dwellings are also revalued annually at 31 March by another valuer to ensure that the carrying value of dwellings on the balance sheet reflects the current value.</p> <p>This represents a significant estimate by management in the financial statements. We identified the valuation of land and buildings revaluations as a risk requiring special audit consideration.</p>	Auditor commentary <p>We carried the following audit procedures in response to this risk:</p> <ul style="list-style-type: none">• review of management's processes and assumptions for the calculation of the estimate;• review of the competence, expertise and objectivity of management experts used;• review of the instructions issued to valuation experts and the scope of their work;• discussions with the valuers about the basis on which the valuation was carried out, challenging the key assumptions;• review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding;• sample testing of beacon properties in the HRA;• testing of revaluations made during the year to ensure they were input correctly into the Authority's asset register;• evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different from current value. <p>We have challenged the Authority's property services department and their assessment of changes in asset values during the year.</p> <p>We have obtained independent sources of evidence from Gerald Eve as auditors expert to challenge the valuation of assets.</p> <p>We are satisfied that the valuation of property, plant and equipment is not materially misstated.</p>

Significant audit risks

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Risks identified in our Audit Plan

Commentary

4 Valuation of pension fund net liability Auditor commentary

The Authority's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.

We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.

The pensions liability figure for PHP is a material figure in the accounts. Our work in this area included this balance.

We carried out the following audit procedures in response to this risk:

- identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement;
- review of the scope of the actuary's work;
- review of the competence, expertise and objectivity of the actuary who carried out the Authority's pension fund valuation;
- gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made;
- review of the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.
- reviewed if there are any departures from the actuary's recommended assumptions – none noted;
- reviewed the duration of liabilities of the Authority to ensure assumptions used are appropriate to the asset and liability profile of the authority

We have compared the actuary's assumptions to the report provided by the auditor's expert PwC.

We have obtained confirmation from the auditor of the Dorset Pension Fund over the accuracy and completeness of source data provided to the actuary and of member data.



We have reviewed the actual contributions and benefits paid compared with the estimated data used by the actuary to ensure the estimates are reasonable.

Our audit work has not identified any issues in respect of the valuation of the pension fund net liability. The impact of the McCloud judgement on the pension liability is set out on page 10.





Significant findings - other issues

Issue	Commentary	Auditor view
<p>Potential impact of the McCloud judgement</p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p>	<p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.</p> <p>The Authority requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £5,109k, and an increase to the with a corresponding entry to with a corresponding entry impacting on past and current service costs.</p> <p>The Group accounts of Borough of Poole include the pension liability of PHP, the arms length management organisation that manages the council housing stock for the Authority. The additional liability relating to PHP impacting the group accounts is £156k.</p> <p>Although management's view is that the impact of the ruling is not material for Borough of Poole, management has determined that an adjustment should be made to the financial statements to reflect the most complete position. This has been adjusted through Other Comprehensive Income rather than through service costs, which we consider to be the correct treatment. There is no overall impact on the general fund and the pension liability is correctly stated</p>	<p>We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.</p> <p>In our view there is sufficient evidence to indicate that a liability is probable, and we concur with managements decision to amend the financial statements. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Authority's liability.</p> <p>We have included this as an adjusted misstatement within Appendix B.</p> <p>We have also included an unadjusted misstatement in respect of the treatment of the service costs element within Appendix B.</p>


Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for NNDR appeals - £5.8m	<p>The Authority is responsible for repaying a proportion of successful rateable value appeals. Management calculates the level of provision required and is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates.</p> <p>As a result of changes in the gatekeeping role played by the VOA, no appeals have been received against the 2017 rating list. The Authority has considered that it is unlikely that no appeals will be received from this valuation list and have made a provision for 2017/18 and 2018/19 based on historic evidence of appeals received and national expectations. This has resulted in an increase in the provision during the year of £3.7m.</p>	<ul style="list-style-type: none"> The underlying information used to determine the estimate appears appropriate; the financial statements include appropriate disclosure of the nature and the Authority's approach to the calculation of this provision. 	 Green
Land and Buildings – Council Housing - £271.8m	<p>The Authority owns 4,508 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.</p> <p>The Authority has engaged the District Valuer Service, to complete the valuation of these properties. The year end valuation of council housing was £272m, a net increase of £4m from 2017/18 (£268m). There was also a small reduction of 9 dwellings between 2017/18 to 2018/19 in relation to Right-to-Buy sales.</p>	<ul style="list-style-type: none"> The Authority instructed the District Valuer Service to value the entire housing stock at 31 March 2019 using the beacon methodology. We have assessed the Authority's external valuer to be competent, capable and objective. We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report. The valuation method remains consistent with the prior year. We have carried out sample testing of beacon properties and have no issues to report. The estimate is consistent against valuation trends of similar properties (Gerald Eve report) with house prices for the region increasing by 1.3%. We are satisfied that the increase in value of 1.5% is reasonable We have agreed the HRA valuation report to the Statement of Accounts. 	 Green

Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

















	Summary of management's policy	Audit Comments	Assessment
Land and Buildings – Other - £212m	<p>Other land and buildings comprises £129m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£83m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Authority values all of its assets on a five yearly cyclical basis. 70% of total assets were revalued during 2018/19.</p> <p>The Authority has engaged NPS as external valuer to complete the valuation of non housing assets as at 31 December 2018. The valuation of has resulted in a net increase of £6.8 million. Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 December 2018, based on the market review undertaken by the Authority's Property Services Department at 31 March 2019, to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value.</p>	<ul style="list-style-type: none"> The Authority engages the services of two valuation experts, NPS and Sibbert Gregory to undertake valuations of other land and buildings. We have assessed the Authority's valuers, to be competent, capable and objective. We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report. The valuation method remains consistent with the prior year. We confirm consistency of the estimate against data supplied by the auditor's expert, Gerald Eve to assess the reasonableness of the increase in the estimate. We have agreed the General Fund valuation report to the Fixed Asset Register and to the Statement of Accounts. 	 Green

Assessment





- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

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	Summary of management's policy	Audit Comments	Assessment																								
	Net pension liability – £274m	<p>The Authority's net pension liability at 31 March 2019 is £274m, after adjusting for the impact of the McCloud judgement (PY £270,906m) comprising the Dorset Local Government and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham LLP to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £11.4m net actuarial movement during 2018/19.</p>	<ul style="list-style-type: none">We have assessed the Authority's actuary, Barnett Waddingham, to be competent, capable and objective.We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2018/19 roll forward calculation carried out by the actuary and have no issues to raise.We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:																								
		<table><tr><th>Assumption</th><th>Actuary Value</th><th>PwC comments</th><th>Assessment</th></tr><tr><td>Discount rate</td><td>2.35%-2.45%</td><td>Assumption is reasonable and is the middle of expected ranges</td><td> Green</td></tr><tr><td>Pension increase rate</td><td>2.30%-2.40%</td><td>Assumption is reasonable and towards the more optimistic end of expected ranges</td><td> Green</td></tr><tr><td>Salary growth</td><td>3.9%</td><td>Lies within the 3.1% to 4.35% range</td><td> Green</td></tr><tr><td>Life expectancy – Males currently aged 45 / 65</td><td>Pensioners: 22.9 Non-pensioners: 24.6</td><td>Assumption is based on the CMI 2013 model and allowance is in towards more optimistic end of the expected ranges</td><td> Green</td></tr><tr><td>Life expectancy – Females currently aged 45 / 65</td><td>Pensioners: 24.8 Non-pensioners: 26.6</td><td>Assumption is based on the CMI 2013 model and allowance is towards the more optimistic end of expected ranges</td><td> Green</td></tr></table>	Assumption	Actuary Value	PwC comments	Assessment	Discount rate	2.35%-2.45%	Assumption is reasonable and is the middle of expected ranges	 Green	Pension increase rate	2.30%-2.40%	Assumption is reasonable and towards the more optimistic end of expected ranges	 Green	Salary growth	3.9%	Lies within the 3.1% to 4.35% range	 Green	Life expectancy – Males currently aged 45 / 65	Pensioners: 22.9 Non-pensioners: 24.6	Assumption is based on the CMI 2013 model and allowance is in towards more optimistic end of the expected ranges	 Green	Life expectancy – Females currently aged 45 / 65	Pensioners: 24.8 Non-pensioners: 26.6	Assumption is based on the CMI 2013 model and allowance is towards the more optimistic end of expected ranges	 Green	
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Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key judgements and estimates

Summary of management’s policy	Audit Comments	Assessment
Net pension liability – continued	<ul style="list-style-type: none">• We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.• We have confirmed there were no significant changes in 2018/19 to the valuation method.• We conducted an analytical review to confirm reasonableness of the Authority’s share of LPS pension assets.• We considered the reasonableness of the increase in estimate – following the McCloud ruling, as detailed on page 10, the Authority has agreed to revise its estimate and increase the pension liability by £5.109m.	

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Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

Going concern

Our responsibility

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 entity’s ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management’s assessment process

Management has considered CIPFA’s guidance on going concern for local government and has reviewed the financial position and reserves of the Authority. Due to the reorganisation of local government services in Dorset, the Authority ceased on 31 March 2019.

Auditor commentary

- Management has undertaken a robust and well documented assessment of the use of the going concern assumption and demonstrated that no material uncertainties exist.
- We concur with management’s assessment of the use of going concern basis of accounting.
- It should be noted that although the Authority ceased on 31 March 2019, going concern in local government should be considered in the context of the CIPFA code ‘an authority’s financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern’.
- Preparation of the accounts on a going concern basis is therefore appropriate

Work performed

We reviewed management’s assessment of the use of the going concern basis of accounting and consideration of any material uncertainties.

Auditor commentary

- No issues were identified.

Concluding comments

Auditor commentary

- No issues were identified from our consideration of management’s assessment of going concern or through our audit procedures. An unmodified opinion in respect of going concern will be given. We have however included an emphasis of matter paragraph reflecting the transfer of services to the new authority.

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee of Borough of Poole. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed. Management was asked to include transactions with subsidiary companies within the single entity's related party note and revised the disclosure to exclude transactions with entities that did not meet the definition of a related party.
3	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
236	Written representations	<ul style="list-style-type: none"> A standard letter of representation was received from the included in the Audit and Governance Committee papers. Specific representations have been requested from management in respect of the significant assumptions used in making accounting estimates for the current value of land and building assets.
5	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management, permission to obtain confirmations from the Public Works Loans Board and other lenders for loans and requested from management permission to send confirmation requests to various institutions for bank and investment balances. This permission was granted and the requests were sent. All responses required were returned.
6	Disclosures	<ul style="list-style-type: none"> Our review identified a number of omissions in relation to the new financial reporting standards IFRS 9 and IFRS 15. The disclosure note for pensions in the group accounts was also omitted.
7	Significant difficulties	<ul style="list-style-type: none"> We experienced no significant difficulties in undertaking our audit work, however we have identified a number of disclosure errors and misclassifications in the financial statements and the quality of working papers to support the figures in the financial statements requires improvement. We appreciate that the work required by the Authority's officers to prepare for local government reorganisation has impacted on preparation for the audit and will work with finance staff to clearly set out our requirements for the audit of Bournemouth, Christchurch and Poole Council and improve the quality of working papers and supporting audit evidence.

Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

Issue	Commentary
1 Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect – refer to Appendix D</p>
2 Matters on which we report by exception	<p>We reported on a number of matters by exception:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
237 3 Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Authority does not exceed the threshold</p>
4 Certification of the closure of the audit	<p>We certified the closure of the 2018/19 audit of Borough of Poole in the audit opinion, on 1 August 2019 as detailed in Appendix D.</p>

Value for Money

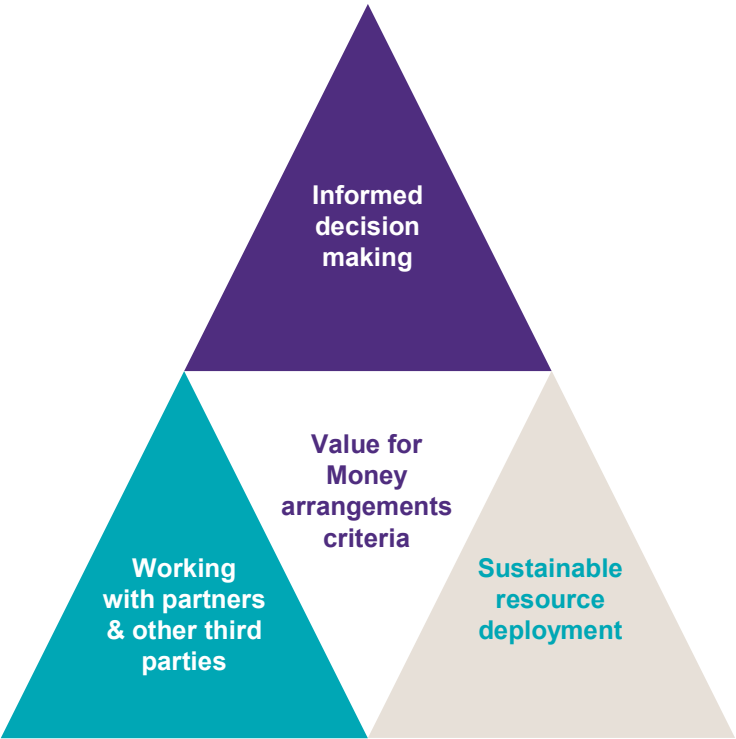
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 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.

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:



Risk assessment

We carried out an initial risk assessment in December 2018 and identified a significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan dated January 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

The risk that we identified as as follows:

- financial sustainability;

Our risk assessment is a dynamic process and we have had regard to new information which emerged since we issued our Audit Plan: No additional significant risks have been identified.

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Authority's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Authority's arrangements. In arriving at our conclusion, our main considerations were:

- the Authority's arrangements for delivering its budget including the arrangements for monitoring and reporting delivery;

We have set out more detail on the risk we identified, the results of the work we performed and the conclusions we drew from this work on pages 20-21.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

3
6 the Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix D.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Financial 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 the 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.

Findings

240 Revenue outturn for 2018/19

We have reviewed the Authority's outturn against budget and arrangements for financial planning. The Authority achieved a balanced financial outturn after meeting the in year costs associated with local government reorganisation. This is in part due to caution exercised in spending decisions in the run up to LGR and grant funding being received late in the year. Arrangements in place remained unchanged during the year and provide sufficient clarity to support effective monitoring of the financial position. Savings plans are incorporated in to the service budgets and are not individually detailed and reported as part of the Authority's publicly available budget monitoring reports.

The Authority had arrangements in place for Brexit planning, however the delay in the UK's exit from the European Union has meant that any impact will now be the responsibility of the new Authority.

Auditor View

The Authority has continued to operate under significant financial pressures, however, it has effective arrangements in place to routinely monitor its budget and take appropriate action to mitigate against any significant variances or additional calls on resources. This is the last budget and outturn report that the Authority will produce. The services of Borough of Poole transferred to the new Bournemouth, Christchurch and Poole Council on 1 April 2019. The balanced financial position contributes to the opening financial position for the new Authority, allowing a higher level of reserves to support the ambitions of the new Authority going forward.

Independence and ethics

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 confirm that we, as a firm, and each covered person, 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 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following non-audit services were identified/ No non-audit services were identified which were charged from the beginning of the financial year to 25 July 2019, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
241 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.
Certification of Teachers Pensions	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.
Certification of Housing Benefit Subsidy	14,000	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 £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 all mitigate the perceived self-interest threat to an acceptable level.
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.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Chief Finance Officer. None of the services provided are subject to contingent fees.

Follow up of prior year recommendations

We identified the following issues in the audit of Borough of Poole’s 2017/18 financial statements, which resulted in a recommendation being reported in our 2017/18 Audit Findings report. We have followed up on the implementation of our recommendation and note the recommendation below is are still to be considered.

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Investment Properties</p> <p>Accounting standards require that investment properties are included in the financial statements at their fair value as at the balance sheet date. The Authority uses an external valuer to provide these valuations. Our audit testing identified that the Authority’s instructions to the valuer requested valuations to be carried out as 31 December. Although we are satisfied that the Authority has demonstrated that the carrying value is not materially different from the fair value as at 31 March, this has necessitated additional work by the Authority.</p>	<p>The Authority should consider that its instructions to the valuer specify that valuations of investment properties are carried out to provide a valuation at 31 March.</p> <p>Management response</p> <p>Bournemouth Christchurch and Poole Council is undertaking a review of its valuation processes including the date of future revaluations for both investment properties and other land and buildings.</p>

Assessment
✓ Action completed
X Not yet addressed

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail		Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
243	1 Potential impact of the McCloud judgement The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for pension schemes where transitional arrangements on changing benefits have been implemented. The Authority has received an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £5.109m. Management has adjusted the pension liability for this figure and has made a corresponding entry to the pensions reserve. The increase in service costs has been treated as an increase to actuarial losses on pensions assets/liabilities rather than as an increase in service costs. This treatment results in an unadjusted classification error in the financial statements.	5,109	5,109	
	Overall impact	£5,109	£5,109	£5,109

Audit Adjustments - Adjusted

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Impact of IFRS 15 - Revenue	No disclosure was included within the financial statements reflecting the requirements of IFRS 15	Narrative note added to identify revenue from service recipients.	✓
Impact of IFRS 9- Financial Instruments	The implementation of IFRS 9, requires more detailed disclosures in respect of expected credit losses The note had omitted short term debtors.	The Authority has amended the disclosures to more fully reflect the requirements of the new standard and to correct omissions.	✓
Classification of Housing Revenue non operational assets	The Authority has included £2.184 million of assets as non operational, our review identified that these should be treated as surplus assets.	The Authority has reclassified these assets and restated note 10 to the Housing Revenue Account.	✓
Movement of Housing Revenue Account Fixed Assets - Transfer of garages	The Authority transferred £3.54 million of garages to the general fund, the transfer was shown as a movement from council dwellings rather than other land and buildings.	The note was amended to correctly classify the transfer.	✓
Expense Allowances	Expenses allowances for non taxable mileage reimbursed were incorrectly included in the table of senior officers remuneration.	The Authority has amended the table to remove these entries.	✓
Change of accounting policy Investment Properties	The Authority has revised its accounting policy in respect of the classification of investment properties, to align the treatment in between the merging authorities. This totalled £5.7 million.	In our view this change in accounting policy is material, and a prior period adjustment should be made to the financial statements. Management is considering the impact of this adjustment. There is no material impact on the current year figures.	✓

Audit Adjustments - Adjusted

Misclassification and disclosure changes

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Group Statements Notes	The group statements omitted to include a note for the defined benefit pension scheme.	The group statements have been amended to include a note showing transactions relating to the group interest in the defined benefit pension scheme.	✓
Group Comprehensive Income and Expenditure Statement	The Group Comprehensive Income and Expenditure Statement had not been adjusted to remove inter group transactions between PHP and the Authority.	The Statement was amended to remove inter entity transactions in line with requirements.	✓
Related Parties	The related parties note included a number of transactions with entities which did not meet the definition of a related party. The note also omitted to include transactions with subsidiary companies.	The required amendments were made.	✓
Other amendments	Our audit work identified a number of other minor typographical and consistency errors.	Management has amended these as requested.	✓

Audit Adjustments - Unadjusted

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail		Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1	Impact of the McCloud judgement on service costs	5,109	-	0	The impact is not material and is a classification error. The entry is reversed through the MIRS and has no overall impact.
240	Overall impact	£nil	£nil	£nil	

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit Fees

Our Audit Plan included a PSAA published scale fee for 2018/19 of £72,344. Our audit approach, including the risk assessment, continues as the year progresses and fees are reviewed and updated as necessary as our work progresses.

Update to our risk assessment – Additional work in respect of the audit code

The table below sets out the additional work which we have undertaken to complete the audit, along with the impact on the audit fee where possible. Please note that these proposed additional fees are estimates based on our best projection of work and will be subject to approval by PSAA in line with the Terms of Appointment.

Additional Audit Fees

Area of work	Timing	Comment	£
Assessing the impact of the McCloud Ruling	June – July 2019	The Government’s transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government’s application for permission to appeal this ruling. As part of our audit we considered the impact on the financial statement along with any audit reporting requirements. This included consultation with our own internal actuary in their capacity as an auditor expert.	1,500
Pensions – IAS 19	June - July 2019	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year.	1,500
PPE Valuation – work of experts	June - July 2019	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE Valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	4,000

Total Audit Fees

Audit fee	Actual 2017/18 fee £	Planned 2018/19 fee £	Final 2018/19 fee £
Council Audit	93,953	72,344	72,344
Additional Audit Fees (see above)	-	-	7,000
Total audit fees (excl VAT)	93,953	72,344	79,344

Non Audit Fees

Fees for other services	Fees £
Audit related services:	
• Certification of Housing Benefit (estimate)	14,000
• Certification of teachers pension	3,000
• Certification of pooling of housing capital receipts return	3,000
• CFO Insights	5,000
Total fees for other services	25,000

Audit opinion

We anticipate we will provide the Group with an unmodified audit report

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Independent auditor’s report to the members of Bournemouth Christchurch and Poole Council in respect of Borough of Poole

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Borough of Poole (the ‘Authority’) and its subsidiary (the ‘group’) for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Housing Revenue Account, the Collection Fund, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements: give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group’s expenditure and income and the Authority’s expenditure and income for the year then ended; have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where: the Chief Financial Officer’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group’s or the Authority’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of Matter - Local Government Reorganisation in Dorset

We draw attention to the disclosures made in note 7 to the core financial statements concerning local government reorganisation in Dorset. As stated in note 4, the Authority ceased to exist on 31 March 2019 on the creation of two new unitary authorities in Dorset and from 1 April 2019 the Authority’s services, functions, assets and liabilities transferred to Bournemouth, Christchurch and Poole Council. Our opinion is not modified in respect of this matter.

Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement other than the Authority and group financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the ‘Delivering Good Governance in Local Government: Framework (2016)’ published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls. We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 9, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee of Bournemouth, Christchurch and Poole Council as successor body to Borough of Poole is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Borough of Poole in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of Bournemouth, Christchurch and Poole Council, as a body, in respect of Borough of Poole in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of Bournemouth, Christchurch and Poole Council, those matters we are required to state to them in an auditor's report in respect of Borough of Poole and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Bournemouth, Christchurch and Poole Council and the members of Bournemouth, Christchurch and Poole Council as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor





Audit & Governance Committee

Report subject	External Audit – Annual Audit Letter Year Ending 31 March 2019 for the three legacy Councils (Bournemouth, Christchurch and Poole Councils)
Meeting date	10 October 2019
Status	Public
Executive Summary	<p>The attached reports summarise the key findings arising from the work of the Councils' external auditor at the three legacy Councils for the year ending 31 March 2019. The key points to note are:</p> <ul style="list-style-type: none"> • Grant Thornton provided 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)	To ensure that the Audit & Governance Committee are fully informed of the key 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.
Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Report Author(s)	<p>Nigel Stannard Head of Audit & Management Assurance ☎01202 451969 / 01202 633123 ✉ nigel.stannard@bcpcouncil.gov.uk</p>

Contributions	Simon Milne, Deputy Chief Internal Auditor Dan Povey, Assistant Chief Finance Officer
Wards	All
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 summarises the key findings arising from the work of the Councils' External Auditor at the three legacy Councils for the year ending 31 March 2019.

Annual Audit Letters

3. The Annual Audit Letter for each legacy Council is the final formal notification of Grant Thornton's (GT's) (the three legacy Councils' External Auditor) work for the year ended 31 March 2019,
4. For Christchurch and Poole legacy Councils Grant Thornton reported the detailed findings from their audit work to the Audit & Governance Committee on 25 July 2019. For Bournemouth legacy Council the initial detailed findings were presented to this Committee on 25 July 2019 and their final report is being presented separately to this meeting.
5. The Letters state the key findings of the External Auditor as:
 - We gave an unqualified opinion on the financial statements for each of the three legacy Councils, Bournemouth, Christchurch and Poole, on 20 September 2019, 31 July 2019 and 1 August 2019 respectively;
 - We are satisfied that in all significant respects the three legacy Councils put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.
6. The Letters state that results of work carried out to certify the legacy Councils' Housing Benefit subsidy claims will be reported separately to the Audit & Governance Committee.

Summary of Financial Implications

7. The Annual Audit Letters attached state that the scale fees for each legacy Council (as set by Public Sector Audit Appointments Ltd (PSAA)) assume that the scope of the audit does not significantly change.

8. The Annual Audit Letters further state that there were a number of areas where the scope of the audit has changed which has led to additional work and a table is included for each legacy Council detailing the additional fees proposed (which will require PSAA approval). The additional work was in response to additional national audit guidelines around auditing property values and the pension fund, plus the national McCloud pension issue as detailed in the attached reports.

Summary of Legal Implications

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

Summary of Human Resource Implications

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

Summary of Environmental Impact

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

Summary of Public Health Implications

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

Summary of Equality Implications

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

Summary of Risk Assessment

14. 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 - Grant Thornton Annual Audit Letter Year Ending 31 March 2019 for Bournemouth Borough Council

Appendix B - Grant Thornton Annual Audit Letter Year Ending 31 March 2019 for Christchurch Borough Council

Appendix C - Grant Thornton Annual Audit Letter Year Ending 31 March 2019 for Poole Borough Council

The Annual Audit Letter for Bournemouth Borough Council

Year ended 31 March 2019

NCS

September 2019



Contents



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Appendices

A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Bournemouth Borough Council (the Council) and its subsidiaries (the group) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the group and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We will reported the initial detailed findings from our audit work to the Audit and Governance Committee of Bournemouth, Christchurch and Poole Council as successor body to Bournemouth Borough Council as those charged with governance in our Audit Findings Report on 25 July 2019. Our final report was issued on 20 September 2019.

Our work

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council and group's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council and group's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Materiality	We determined materiality for the audit of the group's financial statements to be £9,300,000, which is 2% of the group's gross revenue expenditure.
Financial Statements opinion	We included an emphasis of matter paragraph in our report on the Council's financial statements which explains the impact of the planned dissolution of the Council and the transfer of its services to Bournemouth, Christchurch and Poole Council. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO. As the Council was below the threshold, no further audit work was required.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Executive Summary

Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 20 September 2019.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. In addition we undertake certification work on the Council's teachers pensions return and housing capital receipts return. Our work on these claims is not yet complete and will be finalised by 31 January 2020. We will report the results of this work to the Audit and Governance Committee separately.
Certificate	We certified that we have completed the audit of the financial statements of Bournemouth Borough Council in accordance with the requirements of the Code of Audit Practice on 20 September 2019.

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Working with the Council

During the year we have delivered a number of successful outcomes with you:

- Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness.

- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports
- Providing training – we provided your teams with training on financial statements and annual reporting

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
August 2019

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the group's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the group financial statements to be £9,300,000, which is 2% of the group's gross revenue expenditure. We determined materiality for the audit of the Council's financial statements to be £9,200,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We set a lower threshold of £460,000, above which we reported errors to the Audit and Governance Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the financial statements and the narrative report and annual governance statement published alongside the financial statements to check it is consistent with our understanding of the Council and with the financial statements included in the Annual Report on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management Override of Controls</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 Council 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 identified management override of controls as a risk requiring special audit consideration.</p>	<p>We carried the following audit procedures in response to this risk:</p> <ul style="list-style-type: none">– review of accounting estimates, judgements and decisions made by management;– testing of journal entries;– review of unusual significant transactions;– review of significant related party transactions outside the normal course of business.	<p>Our audit work has not identified any evidence of management over-ride of controls.</p> <p>Our testing identified that year end reallocation journals posted by the Chief Accountant had not been subject to separate authorisation. Although we are satisfied that these journals were correct, this represents a weakness in controls.</p>

Audit of the Financial Statements

Significant Audit Risks

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Risks identified in our audit plan	How we responded to the risk
<p>Valuation of land and buildings</p> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions</p> <p>The Council's policy is to revalue its land and buildings on a five year rolling basis, to ensure that the carrying value is not materially different from current value. In addition to the rolling programme the Council values its dwellings and all assets with a value of over £1 million each year at the 1 April.</p> <p>This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations as a risk requiring special audit consideration.</p> <p>.</p>	<p>We carried out the following audit procedures in response to this risk:</p> <ul style="list-style-type: none"> • review of management's processes and assumptions for the calculation of the estimate; • review of the competence, expertise and objectivity of management experts used; • review of the instructions issued to valuation experts and the scope of their work; • discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions; • review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding; • sample testing of beacon properties in the HRA; • testing of revaluations made during the year to ensure they were input correctly into the Council's asset register; • evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different from current value. <p>The valuer previously carried out the valuation of council dwellings at 1 April 2018 and undertook a desk top review of housing indices, amending the valuations to ensure that the carrying value of dwellings on the balance sheet reflects the current value. This year the valuer has amended the valuation of council dwellings to 31 March 2019.</p> <p>We have challenged the Council's valuers and their assessment of changes in asset values during the year.</p> <p>We have obtained independent sources of evidence from Gerald Eve as auditors expert to challenge the valuation of assets and conclude that the carrying value of assets at the year end is not materially different from the current value.</p> <p>We identified a number of errors in the valuation schedules and requested that management carry out a further review of all valuations undertaken during the year.</p> <p>We also identified that following a change in the approach to valuations this year, assets last revalued in 2013/14 had not been subject to a formal revaluation. We are satisfied that this has not resulted in a material misstatement however it does represent a failure to comply with the requirements of the CIPFA Code of Practice, which considers that all assets should be revalued every 5 years.. Significant improvements are needed in the Council's valuation process.</p>

Audit of the Financial Statements

Significant Audit Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration</p>	<p>We carried out the following audit procedures in response to this risk:</p> <ul style="list-style-type: none"> identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement; review of the scope of the actuary's work; review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation; gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made; review of the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary. reviewed if there are any departures from the actuary's recommended assumptions – none noted; reviewed the duration of liabilities of the Council to ensure assumptions used are appropriate to the asset and liability profile of the authority <p>We have compared the actuary's assumptions to the report provided by the auditor's expert.</p> <p>We have obtained confirmation from the auditor of the Dorset Pension Fund over the accuracy and completeness of source data provided to the actuary and of the controls in place to ensure that member data is correct.</p> <p>We have reviewed the actual contributions and benefits paid compared with the estimated data used by the actuary to ensure the estimates are reasonable.</p> <p>Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.</p>	<p>Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the group's financial statements on 20 September 2019.

Preparation of the financial statements

The group presented us with draft financial statements in accordance with the national deadline. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Audit and Governance Committee on 25 July 2019 updated at 20 September 2019.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them in and alongside the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's Data Collection Tool in line with instructions provided by the NAO . We issued an assurance statement which confirmed the Council was below the audit threshold

Other statutory powers

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts. We had no cause to utilise these powers

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Bournemouth Borough Council in accordance with the requirements of the Code of Audit Practice on 20 September 2019.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the 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.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risk we identified and the work we performed are set out overleaf.

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Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

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Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Financial Sustainability

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

The Council 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 adverse position.

In formulating the medium term financial plan, the Council 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 Council'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

Findings

Revenue outturn for 2018/19

We have reviewed the Council's outturn against budget and arrangements for financial planning. The Council achieved a balanced financial outturn after meeting the in year costs associated with local government reorganisation. The most significant variance reported by the Authority, is an underspend of £3.3 million against the adult social care budget, which has been an area of significant overspend in previous years. This favourable outturn the Council has been achieved by transfer to a new Adult Social Care Management System and a review of practices within the department allowing resources to be released to support other areas within the Council, including costs associated with LGR, rather than this being funded using reserves.

Auditor View

The Council has continued to operate under significant financial pressures, however, it has effective arrangements in place to routinely monitor its budget and take appropriate action to mitigate against any significant variances or additional calls on resources. This is the last budget and outturn report that the Council will produce. The services of Bournemouth Borough Council transferred to the new Bournemouth, Christchurch and Poole Council on 1 April 2019. The balanced financial position contributes to the opening financial position for the new Authority allowing a higher level of reserves to support the new Authority going forward.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

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 Council is continuing to expand its investment in this area. We will review how the Council 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 Council's arrangements to ensure requirement with the Code and any revised guidance issued.

Findings

20The Council included £145 million towards progressing the Investment Asset Strategy in capital plans for the year. The approval by the Secretary of State for Local Government Reorganisation (LGR) in Dorset has seen the Authority reign back on these plans during the year, to focus on delivering LGR, and so plans can be aligned with the new wider geography and ambitions of the new Authority. The total spend for the year totalled £2 million.

Auditor View

Following the approval for LGR in Dorset, the Council has paused its programme of investment.

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Reports issued

Report	Date issued
Audit Plan	January 2019
Audit Findings Report	July/September 2019
Annual Audit Letter	September 2019

Fees

	Planned £	Actual fees £	2017/18 fees £
Statutory audit	88,796	99,296	115,320
Audit Fees for subsidiary entities	30,000	38,570	30,000
Objection relating to the 2017/18 accounts	3,087	3,087	
Grant Certification	20,000	20,000	12,027
Other non audit fees	5,000	5,000	
Total fees	146,883	166,133	157,347

Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £88,796 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Area	Reason	Fee proposed
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	£1,500
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	£3,000
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this and to reflect the additional work required to address the issues found during our work.	£6,000
Total		£10,500

Fee variations are subject to PSAA approval.

Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach

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Our relationship with our clients– why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLCAE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.

New opportunities and challenges for your community

The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- 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 keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

Grant Thornton in Local Government

Our client base and delivery



- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.

Our connections



- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions

Our people



- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants

Our quality



- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQRT

Our technical support



- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies



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The Annual Audit Letter for Christchurch Borough Council

Year ended 31 March 2019

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August 2019



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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Christchurch Borough Council (the Council) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Audit and Governance Committee of Bournemouth, Christchurch and Poole Council as successor authority to Christchurch Borough Council as those charged with governance in our Audit Findings Report on 25 July 2019.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £595,000, which is 2% of the Council's gross revenue expenditure.
Financial Statements opinion	<p>We gave an unqualified opinion on the Council's financial statements on 31 July 2019.</p> <p>We included an emphasis of matter paragraph in our report on the Council's financial statements which explains the impact of the planned dissolution of the Council and the transfer of its services to Bournemouth, Christchurch and Poole Council. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.</p>
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Executive Summary

Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 31 July 2019.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2019. We will report the results of this work to the Audit and Governance Committee separately.
Certificate	We certified that we have completed the audit of the financial statements of Christchurch Borough Council in accordance with the requirements of the Code of Audit Practice on 31 July 2019.

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Working with the Council

During the year we have delivered a number of successful outcomes with you:

- An efficient audit – we delivered an efficient audit with you in July, delivering the financial statements to enable you to publish audited accounts on 31 July.
- Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness.

- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports
- Providing training – we provided your teams with training on financial statements

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
August 2019

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the financial statements to be £595,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

275 We set a lower threshold of £29,750; above which we reported errors to the Audit and Governance Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the financial statements and the Narrative Report and Annual Governance Statement published alongside the financial statements to check it is consistent with our understanding of the Council and with the financial statements included in the Annual Report on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of controls</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 Council 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>As part of our audit work we:</p> <ul style="list-style-type: none">• analysed the journals listing and determine the criteria for selecting high risk unusual journals;• undertook procedures to ensure the population of journals selected for testing was complete;• undertook risk-assessed testing of journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; and• gained an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence.	<p>Our audit work identified that, as in previous years, journals are not subject to authorisation. Management have responded that they acknowledge this risk which is due to the small size of the finance team. Processes will be subject to review and change as the Council's services have now transferred to the new unitary council. Our testing and other procedures did not identify any further issues in respect of the work undertaken.</p>

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings</p> <p>The Council revalues its land and buildings on a rolling five-yearly basis. The valuation date is 1 April. In addition to this rolling programme, the Council reviews all its assets on a 2-3 year basis where an annual review is not required to provide further assurance.</p> <p>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 Council'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>As part of our audit work we:</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate; • reviewed the competence, expertise and objectivity of management's expert the District Valuer Service; • reviewed the instructions issued to valuation experts and the scope of their work; • discussed with the Council's valuer the basis on which the valuation was carried out, challenging the key assumptions; • reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding; • tested revaluations made during the year to ensure they were input correctly into the Council's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and those revalued at 1 April 2018 and how management satisfied themselves that these were not materially different from the current value at the balance sheet date. <p>In addition, we considered movements in market indices between revaluation dates and the year end in order to determine whether these indicate that current values had moved materially over that time.</p> <p>We also obtained independent sources of evidence to challenge the valuation of assets and from our work to date we conclude that the carrying value of assets at the year-end is not materially different from the current value.</p> <p>We considered the adequacy of the disclosures in the financial statements in relation to this estimate, which were considered to be adequate.</p>	<p>As in the prior year, we note that the Council values its land and building assets at 1 April and that not all assets are revalued in the year. We are satisfied that the Council has undertaken sufficient review to ensure that the carrying value of these assets is not materially different from the current value and has instructed the valuer to undertake a year end review of assets, where a significant change in value may have occurred. However this remains an area where significant changes in asset values may occur since the valuation date and as in the prior year, we recommend that the new unitary authority considers obtaining year end valuations for significant land and building assets.</p> <p>From our audit work we are satisfied that the asset valuations are not materially misstated.</p>

Audit of the Financial Statements

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Council'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 Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement; reviewed the scope of the actuary's work; reviewed the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation; gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made; reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from the actuary; reviewed if there are any departures from the actuary's recommended assumptions – none noted; reviewed the duration of liabilities of the Council to ensure assumptions used are appropriate to the asset and liability profile of the Council; compared the actuary's assumptions to the report provided by the auditor's expert; obtained confirmation from the auditor of the Dorset Pension Fund over controls of the accuracy and completeness of source data provided to the actuary; and we have reviewed the actual contributions and benefits paid compared with the estimated data used by the actuary to ensure the estimates are reasonable. 	<p>Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 31 July 2019.

Preparation of the financial statements

The Council presented us with draft financial statements in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Audit and Governance Committee on 25 July 2019.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website in the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's Data Collection Tool in line with instructions provided by the NAO. We issued an assurance statement which confirmed the Council was below the audit threshold of £500 million.

Other statutory powers

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts. We had no cause to utilise these powers.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Christchurch Borough Council in accordance with the requirements of the Code of Audit Practice on 31 July 2019.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the 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.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

We identified no significant risks for Christchurch Borough Council.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

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A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Reports issued

Report	Date issued
Audit Plan	January 2019
Audit Findings Report	July 2019
Annual Audit Letter	August 2019

Fees

	Planned £	Actual fees £	2017/18 fees £
Statutory audit	32,516	37,016	42,281
Housing Benefit Grant Certification	9,750	9,750	5,625
Total fees	42,266	46,766	47,906

Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £32,516 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Area	Reason	Fee proposed
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	£1,500
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	£1,500
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	£1,500
Total		£4,500

Fee variations are subject to PSAA approval.

Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach

Our relationship with our clients– why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLCAE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.

New opportunities and challenges for your community

The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- 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 keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
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Grant Thornton in Local Government

Our client base and delivery



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Our connections



- We are well connected to MHCLG, the NAO and key local government networks
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Our quality



- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQRT

Our technical support



- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies



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The Annual Audit Letter for Borough of Poole

Year ended 31 March 2019

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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Borough of Poole (the Council) and its subsidiaries (the group) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the group and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Audit and Governance Committee of Bournemouth, Christchurch and Poole Council as successor body to Borough of Poole as those charged with governance in our Audit Findings Report on 25 July 2019.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council and group's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council and group's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the group's financial statements to be £5,700,000, which is 2% of the group's gross revenue expenditure.
Financial Statements opinion	We included an emphasis of matter paragraph in our report on the Council's financial statements which explains the impact of the planned dissolution of the Council and the transfer of its services to Bournemouth, Christchurch and Poole Council. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO. As the Council was below the threshold, no further audit work was required.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.

Executive Summary

Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 1 August 2019.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. In addition we undertake certification work on the Council's teachers pensions return and housing capital receipts return. Our work on these claims is not yet complete and will be finalised by 31 January 2020. We will report the results of this work to the Audit and Governance Committee separately.
Certificate	We certified that we have completed the audit of the financial statements of Borough of Poole in accordance with the requirements of the Code of Audit Practice on 1 August 2019.

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Working with the Council

During the year we have delivered a number of successful outcomes with you:

- Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness.

- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports
- Providing training – we provided your teams with training on financial statements and annual reporting

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
August 2019

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the group's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the group financial statements to be £5,700,000, which is 2% of the group's gross revenue expenditure. We determined materiality for the audit of the Council's financial statements to be £5,500,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We set a lower threshold of £275,000, above which we reported errors to the Audit and Governance Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the financial statements and the narrative report and annual governance statement published alongside the financial statements to check it is consistent with our understanding of the Council and with the financial statements included in the Annual Report on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management Override of Controls</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 Council 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 identified management override of controls as a risk requiring special audit consideration.</p>	<p>We carried the following audit procedures in response to this risk:</p> <ul style="list-style-type: none">– review of accounting estimates, judgements and decisions made by management;– testing of journal entries;– review of unusual significant transactions;– review of significant related party transactions outside the normal course of business.	<p>Our audit work has not identified any evidence of management over-ride of controls</p>

Audit of the Financial Statements

Significant Audit Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings</p> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£662m) and the sensitivity of this estimate to changes in key assumptions</p> <p>The Council's policy is to revalue its land and buildings on a five year rolling basis and engages two external valuation firms to complete this work overseen by the Council's property services department. The valuation is carried out at the 31 December with any significant changes between this date and the year end being reflected in the final valuation reports received.</p> <p>The Council's property services department also undertakes a review of assets not revalued in the year to inform valuation decisions and to ensure that the carrying value is not materially different from the current value and to inform valuation decisions.</p> <p>Council dwellings are also revalued annually at 31 March by another valuer to ensure that the carrying value of dwellings on the balance sheet reflects the current value.</p> <p>This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations as a risk requiring special audit consideration.</p>	<p>We carried the following audit procedures in response to this risk:</p> <ul style="list-style-type: none"> • review of management's processes and assumptions for the calculation of the estimate; • review of the competence, expertise and objectivity of management experts used; • review of the instructions issued to valuation experts and the scope of their work; • discussions with the valuers about the basis on which the valuation was carried out, challenging the key assumptions; • review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding; • sample testing of beacon properties in the HRA; • testing of revaluations made during the year to ensure they were input correctly into the Council's asset register; • evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different from current value. <p>We have challenged the Council's property services department and their assessment of changes in asset values during the year.</p> <p>We have obtained independent sources of evidence from Gerald Eve as auditors expert to challenge the valuation of assets.</p> <p>.</p>	<p>We are satisfied that the valuation of property, plant and equipment is not materially misstated</p>

Audit of the Financial Statements

Significant Audit Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund assets and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p> <p>The pensions liability figure for PHP is a material figure in the accounts. Our work in this area included this balance.</p>	<p>We carried out the following audit procedures in response to this risk:</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement; • review of the scope of the actuary's work; • review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation; • gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made; • review of the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary. • reviewed if there are any departures from the actuary's recommended assumptions – none noted; • reviewed the duration of liabilities of the Council to ensure assumptions used are appropriate to the asset and liability profile of the authority • We have compared the actuary's assumptions to the report provided by the auditor's expert PwC. • We have obtained confirmation from the auditor of the Dorset Pension Fund over the accuracy and completeness of source data provided to the actuary and of member data. • We have reviewed the actual contributions and benefits paid compared with the estimated data used by the actuary to ensure the estimates are reasonable. 	<p>Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the group's financial statements on 1 August 2019.

Preparation of the financial statements

The group presented us with draft financial statements in accordance with the national deadline. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Audit and Governance Committee on 25 July 2019.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them in and alongside the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's Data Collection Tool in line with instructions provided by the NAO . We issued an assurance statement which confirmed the Council was below the audit threshold

Other statutory powers

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts. We had no cause to utilise these powers

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Borough of Poole in accordance with the requirements of the Code of Audit Practice on 1 August 2019.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the 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.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risk we identified and the work we performed are set out overleaf.

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Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

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Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Financial Sustainability

The Council has historically performed well at managing its financial position despite ongoing reductions in Government funding and an increased demand for services. The Council 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 Council has identified a cumulative funding gap of £6.6 million to 2020/21 in the medium term financial plan. The Council 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.

Findings

Revenue outturn for 2018/19

We have reviewed the Council's outturn against budget and arrangements for financial planning. The Council achieved a balanced financial outturn after meeting the in year costs associated with local government reorganisation. This is in part due to caution exercised in spending decisions in the run up to LGR and grant funding being received late in the year. Arrangements in place remained unchanged during the year and provide sufficient clarity to support effective monitoring of the financial position. Savings plans are incorporated in to the service budgets and are not individually detailed and reported as part of the Council's publicly available budget monitoring reports.

The Council had arrangements in place for Brexit planning, however the delay in the UK's exit from the European Union has meant that any impact will now be the responsibility of the new Council.

Auditor View

The Council has continued to operate under significant financial pressures, however, it has effective arrangements in place to routinely monitor its budget and take appropriate action to mitigate against any significant variances or additional calls on resources. This is the last budget and outturn report that the Council will produce. The services of Borough of Poole transferred to the new Bournemouth, Christchurch and Poole Council on 1 April 2019. The balanced financial position contributes to the opening financial position for the new Council, allowing a higher level of reserves to support the ambitions of the new Council going forward.

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Reports issued

Report	Date issued
Audit Plan	January 2019
Audit Findings Report	July 2019
Annual Audit Letter	August 2019

Fees

	Planned fees £	Actual fees £	2017/18 fees £
Statutory audit	72,344	80,884	93,953
Grant Certification	20,000	20,000	17,441
Total fees	92,344	100,884	111,394

Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £72,344 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

Area	Reason	Fee proposed
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	£1,500
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	£3,000
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	£4,000
Total		£8,500

Fee variations are subject to PSAA approval.

Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach

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Our relationship with our clients– why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLCAE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.

New opportunities and challenges for your community

The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- 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 keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

Grant Thornton in Local Government

Our client base and delivery



- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.

Our connections



- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions

Our people



- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants

Our quality



- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQRT

Our technical support



- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies





Audit & Governance Committee

Report subject	External Audit – External Audit Reform
Meeting date	10 October 2019
Status	Public
Executive Summary	The attached presentation (Appendix A) sets out national developments on external audit reform.
Recommendation(s)	It is RECOMMENDED that: The Audit & Governance Committee notes the attached External Audit Reform presentation.
Reason for recommendation(s)	To ensure that Audit & Governance Committee are informed of national developments on external audit reform.
Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Report Author(s)	Nigel Stannard Head of Audit & Management Assurance ☎ 01202 451969 / 01202 633123 ✉ nigel.stannard@bcpcouncil.gov.uk
Contributions	Simon Milne, Deputy Chief Internal Auditor
Wards	All
Classification	For Information

External Audit Reform

1. The attached presentation (Appendix A) provides an update on the national developments on external audit reform.

Summary of Financial Implications

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

Summary of Legal Implications

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

Summary of Human Resource Implications

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

Summary of Environmental Impact

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

Summary of Public Health Implications

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

Summary of Equality Implications

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

Summary of Risk Assessment

8. There are no direct risk assessment implications from this report.

Background Papers

None

Appendices

Appendix A Grant Thornton – External Audit Reform

External Audit Reform

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Jon Roberts
Head of Public Policy

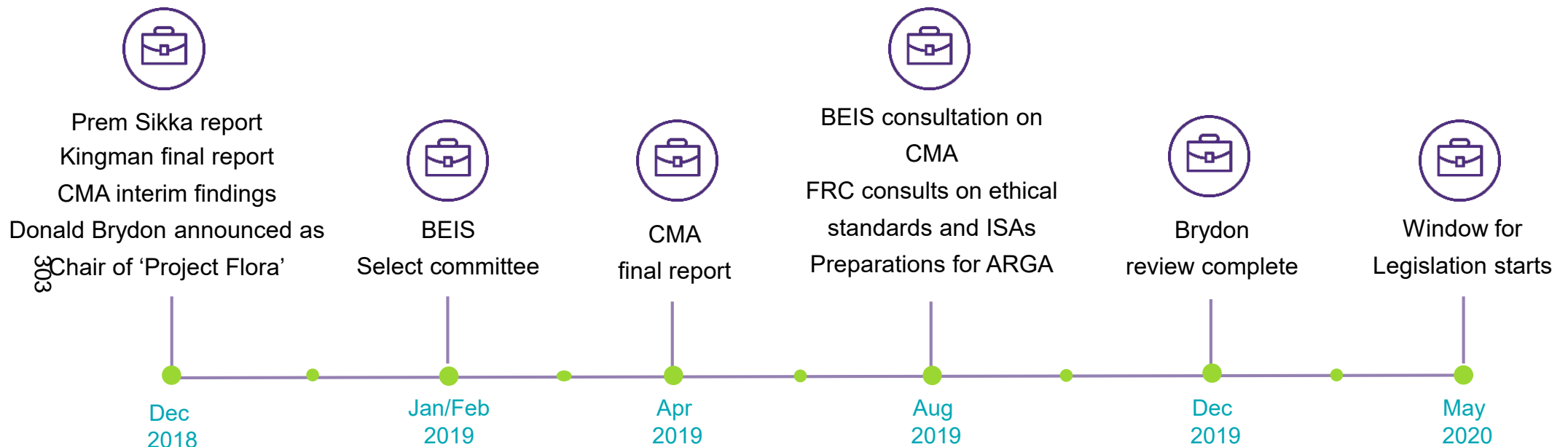


‘Crisis’ in confidence in audit



Regulators, Stakeholders, Government, Media, all want to see change

The UK review programme – corporate audit



But change is already happening

In the public sector ...

What did the Audit Commission ever do for us?

- Delivered audits
- Set the Code of Audit Practice
- Set fees
- Mandated work
- Regulated quality



Local Authority audit in a Pickle(s)

Abolition of the Audit Commission

August 2010

Outsourcing the Commission's audit practice

February 2012 –
October 2012

Local Audit and Accountability Act (LAAA)

2014

Transitional arrangements needed as Audit Commission closes and
Public Sector Audit Appointments Ltd (PSAA) created by LGA

May 2015

Transitional arrangements apply

2015-2019

Appointed Person's Regulations

2015

Full impact of LAAA

Summer 2019

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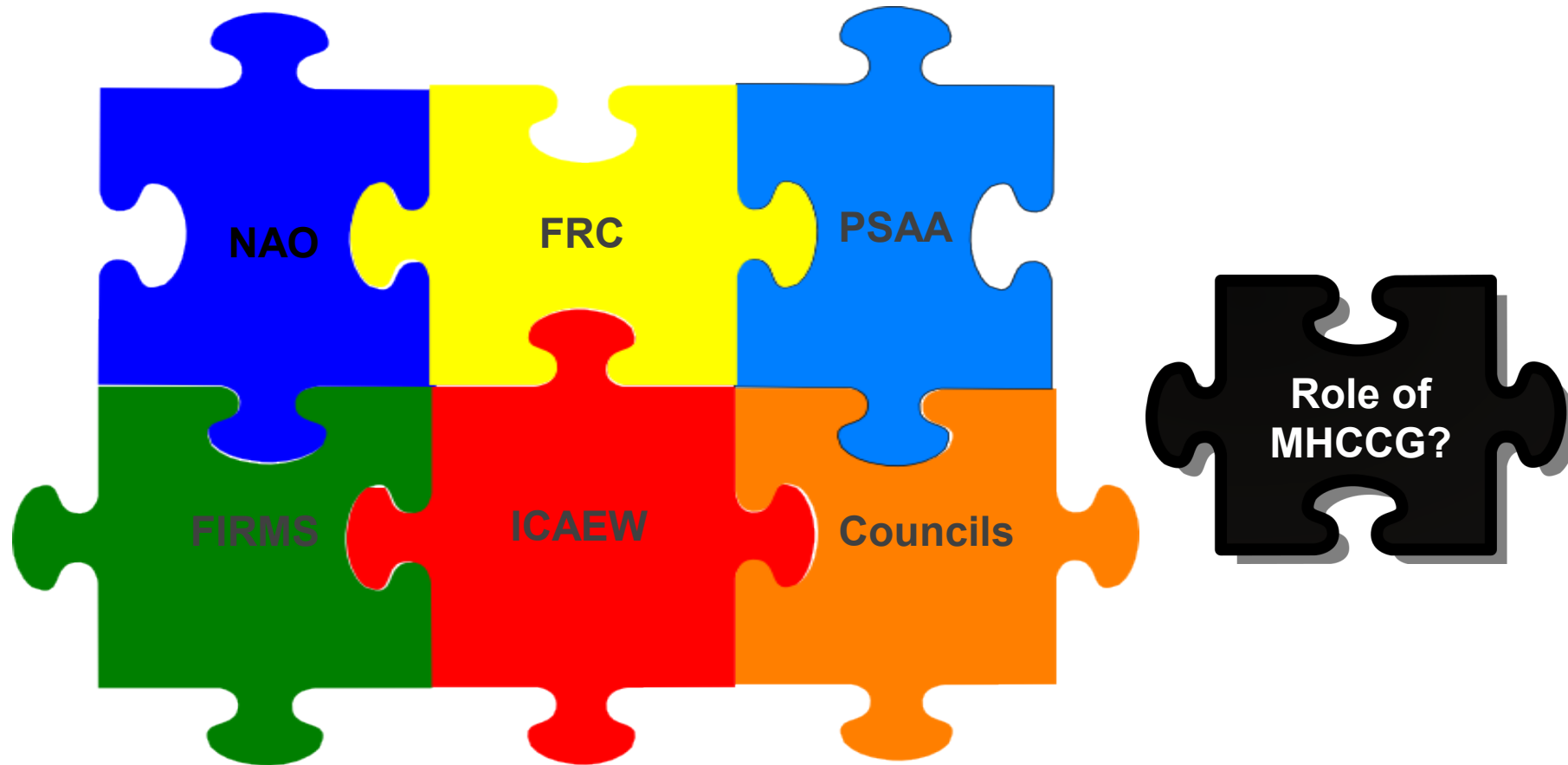
Early close

Accounts and Audit Regulations

306	Draft Accounts	30 June	→	31 May
	Published Accounts	30 September	→	31 July
	Audited Accounts <u>target</u>	30 September	→	31 July

Full effect from Summer 2018

Responsibilities under the Act



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2019 Summer of discontent

- Over 40% audits not signed at 31 July
- More work = fee variations
- Accounts preparation and quality slippage
- Retention of audit teams under strain

The position is not sustainable



Redmond to the rescue

“A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but also service delivery and ultimately, our faith in local democracy”.

James Brokenshire

Review to cover: reporting, governance, audit quality and scope. Focus on users and sustainability.

If I had a magic wand ...

- ✓ Simplify accounts
- ✓ Redesign VFM audit
- ✓ De-couple accounts and VFM work
- ✓ Agree delivery plan up to 30 September
- ✓ Appropriate not excessive fees
- ✓ Clarify system leadership
- ✓ Tailored regulation



Redmond – are you responding?



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Questions and comments



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AUDIT AND GOVERNANCE COMMITTEE

Report subject	Review of the Constitution and future Audit and Governance Committee Programme.
Meeting date	10 th October 2019
Status	Public Report
Executive summary	To set out a process for review of the Constitution and to identify and consider priorities for the Committee over the forthcoming Forward Plan period.
Recommendations	It is RECOMMENDED that: (a) The Constitution Issues Working Group be established; (b) That the Committee consider its future programme of work.
Reason for recommendations	Discharge of the responsibilities of the Committee
Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Report Author	Tanya Coulter, Director, Law and Governance
Contributors	Richard Jones, Head of Democratic Services
Wards	All
Classification	For Decision

Background

1. The Committee's Terms of Reference contained within the Constitution within the functions provisions include responsibility for 'Maintaining an overview of the Council's Constitution and governance arrangements in all respects'. The Committee needs to consider how it will undertake this role.

Review of the Constitution

2. It is proposed that the Committee establish a working group comprised of four Councillors from the Committee made up of two Councillors from the Unity Alliance and two from the Conservative Group and that one of the two Conservative Group Councillors be the Chairman of the Committee.
3. The Working Group to meet on two, and if required, a maximum of three, times and to make recommendations to the meeting of this Committee in January 2020.
4. The following meeting dates are proposed for meetings of the Working Group:

Wednesday 30th October 201 at 4pm; Monday 25th November 2019 at 3pm
and (if required) Tuesday 10th December 2019 at 3pm.
5. The role of the Working Group will be to consider how the Committee should undertake its role in future in respect of the oversight of the Constitution, including what level of engagement takes place with internal stakeholders. It will also consider any immediate issues and adjustments identified as necessary during the early phases of BCP Council operation. There will also be the opportunity to take a wider overview of Constitutional and governance issues generally.

Audit and Governance Committee Programme

6. The Committee already has a programme of core audit business scheduled within its Forward Plan as set out elsewhere in this Agenda.
7. At the meeting of the Committee in July there was an initial discussion about identifying additional work for the Committee over and above its core audit functions. The Chairman has canvassed members of the Committee about the type of additional issues which the Committee might wish to include within a programme of work going forward.
8. It is also apparent that, to accommodate the level of extra work likely to be involved, additional meetings of the Committee will need to be arranged, potentially on a monthly basis. Additional meeting dates have therefore been identified on a provisional basis in addition to those already scheduled. Members may also wish to

consider whether these extra meetings should be held during the morning in contrast to the 6pm starts already in place for the currently scheduled meetings.

Summary of financial implications

9. Additional resourcing and facilities costs.

Summary of legal implications

10. As set out in the Constitution of the Council

Summary of human resources implications

11. There are no direct additional implications arising from this report.

Summary of environmental impact

12. There are no direct additional implications arising from this report.

Summary of public health implications

13. There are no direct additional implications arising from this report.

Summary of equality implications

14. There are no direct additional implications arising from this report.

Summary of risk assessment

15. There are no direct additional implications arising from this report.

Background papers

Constitution of the BCP Council

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Audit & Governance Committee

Report subject	Forward Plan 2019/20
Meeting date	10 October 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):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Report Author(s)	Nigel Stannard Head of Audit & Management Assurance ☎01202 451969 / ☎01202 633123 ✉ nigel.stannard@bcpcouncil.gov.uk
Contributions	Simon Milne, Deputy Chief Internal Auditor
Wards	All
Classification	For Recommendation Approval

Background

1. Good practice dictates that a Forward Plan should be agreed which sets out the reports to 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	25 JULY 2019	10 OCT 2019 (this Committee)	23 JAN 2020	30 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 # Corporate Director (Resources) has requested delay until July 2020		✓#		
Treasury Management Policy Refresh/Approval for next financial year			✓	
Internal Audit Charter & Audit Plan for next financial year			✓	
Emergency Planning & 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 / OTHER REPORTS				
Independent Investigation and Response to a Deputation regarding Kinson Community Centre	✓	✓		
Local Code of Governance 6 month review (thereafter included in Annual Governance Statement Annual Report above)		✓		
BCP Council Investment to Support the One Dorset Pathology Unit		✓		
BCP Sustainable Procurement Strategy			✓	
BCP Register of Declarations of Outside Interests for officers			✓	
Review of Constitution and Future Audit & Governance Committee Programme		✓		
EXTERNAL AUDIT REPORTS				
External Auditor – Audit Findings Report 2018/19	✓			
External Auditor – Audit Findings Report 2018/19 (updated for Bournemouth and Poole Legacy Councils)		✓		
External Auditor – Annual Audit Fee 2019/20 (***) delayed from July – awaiting fee from Public Sector Audit Appointments)			✓***	
External Auditor – Annual Audit Letter 2018/19 (for the three legacy Councils)		✓		
External Auditor – Certification of Claims and Returns 2018/19 (for the three legacy Councils)			✓	
External Auditor – Audit Plan 2019/20 (**** 2018/19 Audit Plans for legacy Councils - for information only)	✓****		✓	
External Auditor – Audit Progress & Sector Update			✓	✓
External Auditor – External Audit Reform		✓		

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Audit and Governance Committee

Report subject	Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2018/19
Meeting date	10 October 2019
Status	Public
Executive Summary	<p>This report details counter fraud work carried out by Internal Audit to provide assurance on the legacy Councils response to combating fraud & corruption.</p> <p>Internal Audit have investigated all allegations of suspected fraud or irregularity in a proportionate manner.</p> <p>The following number of whistleblowing referrals for the three legacy Councils were received and investigated by Internal Audit during 2018/19; Bournemouth – one, Christchurch – none, and Poole - none).</p>
Recommendation(s)	<p>It is RECOMMENDED that:</p> <p>Audit & Governance Committee are asked to note the following:</p> <ul style="list-style-type: none"> a) The counter fraud work & investigations carried out by Internal Audit during 2018/19 b) The whistleblowing referrals received during 2018/19 <p>for the three legacy Councils (Bournemouth, Christchurch and Poole).</p>
Reason for recommendation(s)	To ensure that Councillors fulfil their role in considering the effectiveness of the Council's governance arrangements, in particular the counter-fraud & corruption arrangements including whistleblowing.
Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe – Corporate Director Resources
Report Author(s)	<p>Nigel Stannard Head of Audit & Management Assurance ☎01202 451969 / ☎01202 633123 ✉ nigel.stannard@bcpcouncil.gov.uk</p>
Contributions	Simon Milne, Deputy Chief Internal Auditor

Wards	All
Classification	For Recommendation/Decision/Update and Information

Background

1. The purpose of this report is to inform Audit & Governance Committee of counter fraud work undertaken by Internal Audit during the 2018/19 financial year for the three legacy Councils (Bournemouth, Christchurch and Poole).
2. This report also provides a summary of the number, nature and outcome of specific investigations and formal whistleblowing referrals received for the three legacy Councils during the 2018/19 financial year.

Internal Audit Counter Fraud Work 2018/19

3. During the year, Internal Audit have carried out the following work to provide assurance on the three legacy Councils response to combating fraud & corruption:

Strategic

- Legacy Bournemouth & Poole Council Fraud Risk Registers were reviewed and used to produce a new BCP Fraud Risk Register.
- Produced a new BCP Council Anti-Fraud & Corruption Policy (including Anti Bribery and Anti Money Laundering procedures) and a new BCP Whistleblowing Policy in preparation for Local Government Re-Organisation.
NOTE Links to these documents can be found at the end of this report under Appendices.
- Implemented a new investigation case management system, initially for Bournemouth and Poole Councils and now for BCP Council.

Culture

- Monitored general employee fraud awareness through completion of the Bournemouth and Poole Council mandatory e-learning modules which covered fraud prevention, bribery and whistleblowing.
- Provided targeted fraud training to specific services and senior management teams as required.

Deterrence

- Published corporate Fraud Bulletins on Bournemouth and Poole Council intranet pages to promote fraud awareness and give guidance to staff on counter fraud policy/procedures.
- Issued specific 'Fraud Alerts' to relevant service areas (including schools) throughout the year.

Prevention & Detection

- Participated in the National Fraud Initiative (NFI) data matching exercise 2018/19 for all three legacy Councils. Outcomes to date are as follows:
 - Adult Social Care Homes – one overpayment of approximately £9k identified and recovered (legacy Bournemouth Council).
 - Concessionary Travel Passes – several cases updated with deceased status (legacy Bournemouth, Christchurch and Poole Councils) which should prevent inappropriate/fraudulent use (within the BCP area).
 - Blue Badges – several cases updated with deceased status (legacy Bournemouth and Poole Councils) which should prevent inappropriate/fraudulent use.
 - Council Tax Single Person Discounts (legacy Bournemouth Council) – discounts with a total value of approximately £102k have been removed.
 - Council Tax Single Person Discounts (legacy Christchurch and Poole Councils) - work is ongoing and discounts are expected to be removed for a number of cases.
- Four high risk fraud areas were reviewed across Bournemouth and Poole Councils as detailed in the table below:

Fraud Risk Area	Outcome & Recommendations
Planning Applications (Legacy Poole)	Reasonable assurance audit opinion. Improvements to authorisations controls, scheme of delegation records and declarations of interest processes were recommended.
Pre-employment Checks (Legacy Poole)	Reasonable assurance audit opinion Improvements to checks for canvassers and employment references were recommended.
Corporate Procurement Cards (Legacy Bournemouth)	Reasonable assurance audit opinion. Improvements to VAT claims, transaction details and policy updates were recommended.
Petty Cash (Legacy Bournemouth)	Improvements to controls for several petty cash accounts were recommended.

- As part of the 2019/20 BCP Audit Plan the following high level fraud risk areas are planned to be reviewed this year; duplicate payments, income, petty cash and no recourse to public funds.

Investigations

- Internal Audit have investigated all allegations of suspected fraud or financial irregularity* in a proportionate manner. For Bournemouth & Poole the outcomes have been reported to the relevant legacy Council's Statutory Officer Group (SOG) comprising of the Chief Executive, Monitoring Officer and Chief Finance Officer (Section 151 Officer).
- Details of investigations that have been carried out by Internal Audit during 2018/19 are detailed in Appendix A. This appendix involves exempt information and is submitted as a confidential paper to this report.

NOTE Human Resources are responsible for supporting management with investigations into potential staff misconduct for matters which are non-financial related.

Corporate Counter Fraud Work

- From the 1 April 2018 to 31 March 2019, Internal Audit have provided specialist investigative resource to Bournemouth and Poole Councils to support Management with high risk fraud areas.

NOTE 1 This work was not applicable for Christchurch Borough Council as they were not responsible for their own Housing stock or Adult Social Care.

NOTE 2 Stour Valley and Poole Partnership continue to be responsible for dealing with Council Tax and NDR related fraud and the Single Fraud Investigation Service (DWP) are responsible for dealing with Housing Benefit fraud.

- Work was carried out with legacy Bournemouth and Poole Housing teams to assist in the validation of Right to Buy and Housing Tenancy Applications. The results of this work is detailed below.

Fraud Risk Area	Bournemouth Borough	Borough of Poole
Right to Buy Checks	40	22
Concerns raised	1	1
Cases Refused	0	1
Housing Application Checks	502	315
Concerns raised	46	27
Applications withdrawn	7	0

- Work has also been carried out to assist with the investigation of Blue Badge and Housing Tenancy fraud referrals has been carried out as detailed below:

Fraud Risk Area	Bournemouth Borough	Borough of Poole
Blue Badge Referrals	8	19
Badges recovered	2	-
Warning letters issued	1	5
Housing Tenancy Referrals	21	11
Housing Tenancy ceased	1	1
Tenancy Reviews instigated	7	8

Whistleblowing Referrals 2018/19

- All three legacy Councils (Bournemouth, Christchurch and Poole) had their own Whistleblowing Policy.
- A Whistleblowing Policy exists to ensure qualifying individuals are able to raise concerns they may have safely, without fear of harassment or victimisation. There are certain types of disclosure covered by a Whistleblowing Policy which are specified in the Public Interest Disclosure Act 1998.
- The legacy Council Whistleblowing Policies required a summary of the number, nature and outcome of Whistleblowing referrals investigated in the year to be presented to this Committee.

10. As mentioned in paragraph 3 above, Internal Audit have investigated all allegations of suspected fraud or financial irregularity. These investigations may require following the legacy Councils Whistleblowing Policy to ensure protection for the individual raising the concern.
11. One whistleblowing referral was received and investigated during the last financial year (April 2018 - March 2019) for which details are included in Confidential Appendix A. Other cases have been referred direct by management to Internal Audit (or identified by Internal Audit) during the year rather than reported via the formal whistleblowing process.
12. Use of the BCP Whistleblowing Policy is promoted through reminders in regular 'Fraud Bulletins' to all staff, briefings at officer meetings and as part of the Fraud Prevention e-learning module on the Council's Intranet.
13. Work will continue to be undertaken to monitor, review and assess the effectiveness of the Council's Whistleblowing Policy and related procedures during the year.

Summary of Legal Implications

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

Summary of Human Resource Implications

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

Summary of Environmental Impact

16. There are no direct environmental implications from this report

Summary of Public Health Implications

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

Summary of Equality Implications

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

Summary of Risk Assessment

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

Background Papers

None.

Appendices

Appendix A – Internal Audit Investigations 2018/19

BCP Council Anti-Fraud & Corruption Policy

Internal access -

<https://bcpcouncil.sharepoint.com/sites/Hosts/BCP/BCPPoliciesandGuidance/Anti%20Fraud%20and%20Corruption%20Policy%202019.docx?web=1>

External access –

<https://www.bournemouth.gov.uk/councildemocratic/AboutYourCouncil/AboutYourCouncilDocs/bcpcouncil-policy-docs/bcp-anti-fraud-and-corruption-policy.pdf>

<https://www.poole.gov.uk/council-and-democracy/strategies-plans-and-policies/anti-fraud-corruption-policy/>

BCP Whistleblowing Policy

Internal access –

<https://bcpcouncil.sharepoint.com/sites/Hosts/BCP/BCPPoliciesandGuidance/Whistleblowing%20Policy%202019.docx?web=1>

External access –

<https://www.bournemouth.gov.uk/councildemocratic/AboutYourCouncil/AboutYourCouncilDocs/bcpcouncil-policy-docs/whistleblowing-policy.pdf>

<https://www.poole.gov.uk/council-and-democracy/strategies-plans-and-policies/whistleblowing-policy/>

By virtue of paragraph(s) 1, 2 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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