

# Notice of Audit and Governance Committee

Date: Thursday, 30 July 2020 at 6.00 pm

Venue: Virtual meeting



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## Membership:

### Chairman:

Cllr J Beesley

### Vice Chairman:

Cllr L Williams

Cllr M Andrews  
Cllr M F Brooke  
Cllr D Butt

Cllr M Cox  
Cllr B Dunlop  
Cllr S McCormack

Cllr M White

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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 view the live stream of this meeting at the following link:

<https://democracy.bcpCouncil.gov.uk/ieListDocuments.aspx?MId=4352>

If you would like any further information on the items to be considered at the meeting please contact: Democratic Services by email [democratic.services@bcpCouncil.gov.uk](mailto:democratic.services@bcpCouncil.gov.uk)

Press enquiries should be directed to the Press Office: Tel: 01202 454668 or email [press.office@bcpCouncil.gov.uk](mailto:press.office@bcpCouncil.gov.uk)

This notice and all the papers mentioned within it are available at [democracy.bcpCouncil.gov.uk](https://democracy.bcpCouncil.gov.uk)

GRAHAM FARRANT  
CHIEF EXECUTIVE

22 July 2020



## Maintaining and promoting high standards of conduct

### Declaring interests at meetings

Familiarise yourself with the Councillor Code of Conduct which can be found in Part 6 of the Council's Constitution.

Before the meeting, read the agenda and reports to see if the matters to be discussed at the meeting concern your interests

Do any matters being discussed at the meeting relate to your registered interests?

Disclosable Pecuniary Interest

Yes

Declare the nature of the interest

Do NOT participate in the item at the meeting. Do NOT speak or vote on the item EXCEPT where you hold a dispensation

You are advised to leave the room during the debate

Local Interest

Yes

Declare the nature of the interest

Applying the bias and pre-determination tests means you may need to refrain from speaking and voting

You may also need to leave the meeting. Please seek advice from the Monitoring Officer

No

Do you have a personal interest in the matter?

Yes

Consider the bias and pre-determination tests

You may need to refrain from speaking & voting

You may also need to leave the meeting. Please seek advice

No

You can take part in the meeting speak and vote

What are the principles of bias and pre-determination and how do they affect my participation in the meeting?

Bias and predetermination are common law concepts. If they affect you, your participation in the meeting may call into question the decision arrived at on the item.

#### Bias Test

In all the circumstances, would it lead a fair minded and informed observer to conclude that there was a real possibility or a real danger that the decision maker was biased?

#### Predetermination Test

At the time of making the decision, did the decision maker have a closed mind?

If a councillor appears to be biased or to have predetermined their decision, they must NOT participate in the meeting.

For more information or advice please contact the Monitoring Officer  
(anne.brown@bcpccouncil.gov.uk)

### Selflessness

Councillors should act solely in terms of the public interest

### Integrity

Councillors must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships

### Objectivity

Councillors must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias

### Accountability

Councillors are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this

### Openness

Councillors should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing

### Honesty & Integrity

Councillors should act with honesty and integrity and should not place themselves in situations where their honesty and integrity may be questioned

### Leadership

Councillors should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs

# 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. **Election of Chairman of the Audit and Governance Committee**

Councillors are asked to elect the Chairman of the Audit and Governance Committee for the 2020/21 Municipal Year.

## 4. **Election of the Vice-Chairman of the Audit and Governance Committee**

Councillors are asked to elect the Vice-Chairman of the Audit and Governance Committee for the 2020/21 Municipal Year.

## 5. **Declarations of Interests**

Councillors are requested to declare any interests on items included in this agenda. Please refer to the workflow on the preceding page for guidance.

Declarations received will be reported at the meeting.

## 6. **Confirmation of Minutes**

To confirm and sign as a correct record the minutes of the Meeting held on 12 March 2020.

7 - 12

## 7. **Public Issues**

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

<https://democracy.bcpccouncil.gov.uk/ieListMeetings.aspx?CommitteeID=151&Info=1&bcr=1>

The deadline for the submission of public questions is Thursday 23 July 2020.

The deadline for the submission of a statement is 12.00 noon, Wednesday 29 July 2020.

The deadline for the submission of a petition was Wednesday 15 July 2020.

<b>8. Review of BH Live Contractual and Governance Arrangements</b>	13 - 26
<p>This report seeks to explain the relationship between BCP Council and BH Live, who provide a range of leisure, conferencing and Cultural services. The report makes a number of recommendations for improving the contractual and governance arrangements.</p>	
<b>9. Treasury Management Monitoring Outturn 2019/20 and Update for Quarter 1 2020/21</b>	27 - 36
<p>This report sets out the monitoring of the Council's Treasury Management function for the period 1 April 2019 to 31 March 2020.</p> <p>A surplus of £1.4 million was achieved through higher investment returns and lower borrowing costs.</p> <p>The report also sets out the Quarter One performance for 2020/21 which forecasts a £112,000 underspend caused by higher cash balances than previously assumed reducing the need to borrow in the short term.</p>	
<b>10. Governance of Budget Monitoring</b>	37 - 44
<p>At the request of the Chair of the Audit and Governance Committee this report has been produced to reflect on the recommendation of the COVID-19 - 2020/21 Budget Monitoring report to Cabinet on the 24 June 2020.</p>	
<b>11. Risk Management – Corporate Risk Register Update</b>	45 - 52
<p>This report updates councillors on the position of the council's Corporate Risk Register. The main updates are as follows:</p> <ul style="list-style-type: none"><li>• The significant changes to the risk landscape faced by the council as a result of the pandemic.</li><li>• An introduction to the COVID-19 Corporate Risk Register created in April 2020.</li><li>• Information on the planned consolidation of the two registers.</li></ul>	
<b>12. Establishment of Constitution Review Working Group</b>	53 - 56
<p>The Audit and Governance Committee is responsible for maintaining an overview of the Council's Constitution and governance arrangements. The use of a Working Group for the recent review proved to be effective and the committee is therefore asked to consider the establishment of a permanent Working Group to undertake these responsibilities, recommending changes as appropriate.</p>	
<b>13. Use of Regulation of Investigatory Powers Annual Report (including Report to the Office of Surveillance Commissioner) 2019/20</b>	57 - 60
<p>The Council has not made use of RIPA powers during the 2019/20 financial year.</p>	



<b>14. Annual Breaches, Waivers &amp; Exemptions Report 2019/20</b>	61 - 76
<p>This report sets out the breaches, waivers and exemptions of Financial Regulations which have occurred during the 2019/20 financial year.</p> <p>The relatively low number of breaches and lower level of waivers compared to previous years (from legacy Councils) indicate that there was generally a good level of understanding of the Regulations.</p> <p>The Chief Finance Officer, or formally delegated representative, agreed 66 waivers/exemptions totalling £13.8M.</p> <p>Whilst full compliance can never be guaranteed and ‘under-reporting’ is an inherent possibility, arrangements were in place to detect instances of non-compliance.</p> <p>An effective and transparent breaches / waivers / exemptions governance process maximises the chances of the Council achieving value for money and complying with UK law (Public Contract Regulations 2015) when procuring goods, services or works.</p>	
<b>15. Internal Audit - Quarterly Audit Plan Update (to include Audit Charter &amp; Audit Plan for 2020/21)</b>	77 - 108
<p>This report sets out the Internal Audit Charter and Audit Plan for 2020/21. Approval of these documents by the Audit and Governance Committee is a requirement of the Public Sector Internal Audit Standards (PSIAS).</p> <p>The report also details progress made on delivery of the 2020/21 Audit Plan for the period April to June (inclusive) 2020. The report highlights that:</p> <ul style="list-style-type: none"> <li>• One audit assignment has been completed (‘Reasonable’ audit opinion);</li> <li>• Eleven audit assignments are in progress;</li> <li>• Implementation of audit recommendations is satisfactory.</li> </ul> <p>Significant un-planned time has been spent on COVID 19 NDR Grant verification and fraud prevention work during the first quarter.</p>	
<b>16. External Auditor – Audit Plan 2019/20</b>	109 - 132
<p>The attached report sets out the work that the Council’s External Auditor, Grant Thornton, plan to undertake for the audit of the Council’s Statement of Accounts in respect of 2019/20.</p> <p>The External Auditor plans to give an opinion on whether the accounts give a true and fair view and whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.</p>	
<b>17. External Audit - Progress Report &amp; Sector Update</b>	133 - 152
<p>Grant Thornton plan to commence work on the final draft financial statements during August and September and the outcome of the work will be reported in the Audit Findings Report.</p>	

Grant Thornton aim to give an opinion on the Statement of Accounts by the statutory deadline of November 30th, 2020 along with their Value for Money Conclusion.

Grant Thornton have provided a summary of emerging national issues and developments that may be relevant to the Council.

**18. Audit & Governance Committee Forward Plan (refresh)**

153 - 156

This report sets out the reports to be received by the Audit & Governance Committee for the 2020/21 municipal year.

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.

**BOURNEMOUTH, CHRISTCHURCH AND POOLE COUNCIL**  
**AUDIT AND GOVERNANCE COMMITTEE**

Minutes of the Meeting held on 12 March 2020 at 6.00 pm

Present:-

Cllr J Beesley – Chairman

Cllr L Williams – Vice-Chairman

Present: Cllr M Andrews, Cllr S Bartlett, Cllr M F Brooke, Cllr B Dunlop,  
Cllr S McCormack and Cllr M White

74. Apologies

Apologies for absence were received from Councillor M Cox and from Councillor Vicky Slade, Leader of the Council.

75. Substitute Members

Councillor M Le Poidevin attended as substitute for Councillor M Cox.

76. Declarations of Interests

There were no declarations of interest.

77. Confirmation of Minutes

The minutes of the meeting held on 20 February 2020 were confirmed as a correct record and signed by the Chairman.

78. Public Issues

A member of the public, Mr Roger West, made the following statement to the Committee.

The web sites of Pelhams are key: the historical background and the activities are vital to your decision. My guiding principles were helping residents and telling the truth: impossible with party politics. Joined the BIA see -abetterbournemouth.org. Supported Christchurch in their fight against joining BCP. Received three letters of thanks from Sir Chris Chope MP. Communities are vital to us eg. Ensbury Park Library, Post Office, Park Homes and Pelhams. 27/7/2013 asked John Beesley to resign. Had great concern Pelhams would go like the BCCA in Boscombe; false evidence was produced. Am now reassured that BCP will protect it.

On advice from the Monitoring Officer, the Chairman of the Committee stated that, if Mr West had, on this occasion, evidence that he felt should be referred to the Police then that was what should happen.

79. Kinson Community Centre

The Director of Communities presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'A' to these Minutes in the Minute Book.

The report provides a further update on progress being taken to address formal and informal complaints and allegations and followed previous reports to the Committee on 25 July 2019 and 10 October 2019. It was now confirmed that a third-party referral in respect of the allegations made by Kinson Community Association has been made by the Council to Dorset Police.

The Council has been advised by Dorset Police that any criminal investigation must take primacy over any civil or internal processes and as a result, no further action could be taken by the Council until such time as the position relating to any criminal allegations was understood and investigations concluded.

It was reported that there was nothing specific to add since the previous discussion and anyone with evidence of criminal behaviour was urged to pass it on to the Police.

In response to questions about what should happen after conclusion of the investigation, the Chief Executive provided his undertaking that any significant issues that might arise from the Police investigation would be reported back to the appropriate Committee of the Council.

**RESOLVED**

**That Audit & Governance Committee:**

- a) note the update provided;**

Voting on (a): Unanimous

- b) delegate authority to determine any further action following the outcome of any criminal investigation, to the Director of Communities.**

Voting on (b): For – 7; Against 2

80. Evolution of Financial Regulations for the 2020-21 financial year

The Head of Audit and Management Assurance and the Head of Strategic Procurement presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'B' to these Minutes in the Minute Book.

It was explained that this year, and then every year thereafter, the BCP Council would have a new evolution of its Financial Regulations as set out

for the current year in Part 5 of the BCP Council Constitution. Members were advised that the existing version of the Financial Regulations already represented a modernised presentation of a more traditional style in place across Local Government. To achieve this more streamlined approach, complementary procedural explanations and guidance notes had been set out away from the main Regulations document.

The currently proposed evolutionary changes to the Council's Financial Regulations were accordingly set out and summarised in the report and shown in red text throughout the document. These included several minor editing changes made to align to BCP Council convention and terminology.

The attention of the Committee was drawn to more material changes proposed within Part G, Procurement and Contract procedures. These changes incorporated new requirements for commissioning officers and the strategic procurement team in response to the Council's climate and ecological emergency declaration and which would result in more 'sustainable' procurement activity.

During discussion, the new provisions relating to sustainability were welcomed by the Committee. Responses were provided to a number of general questions and, in response to a question about operational aspects of lease renewals and annual inspection of properties held by the Council as landlord, the Head of Audit and Management Assurance undertook to provide Members of the Committee with additional information.

**RECOMMENDED that The Financial Regulations as shown in Appendix A of the report to the Audit and Governance Committee be approved and adopted as Part 5 of the BCP Council Constitution.**

Voting: Unanimous.

81. Annual review of Whistleblowing Policy, Anti-Fraud & Corruption Policy and Declarations of interests, gifts & hospitality Policy

The Head of Audit and Management Assurance presented a report, a copy of which had been circulated to each Member and a copy of which appears as Appendix 'C' to these Minutes in the Minute Book.

An annual review of the Council's Whistleblowing Policy and Anti-Fraud & Corruption Policy had taken place to ensure that the policies were updated in line with best practice and with legislation and best practice also suggested that both policies should be approved by Audit & Governance Committee.

The Committee was reminded that the Whistleblowing Policy sought to enable individuals to feel confident in raising concerns that were in the public interest about suspected serious wrongdoing. The purpose of the Anti-Fraud & Corruption Policy was to highlight relevant legislation and set out the Council's approach.

Some minor amendments had been made to both policies including reformatting to align with corporate BCP requirements.

A key change to the Anti-Fraud & Corruption Policy was the addition of a Criminal Finances Act (CFA) 2017 Requirements policy appendix. This would ensure the Council was able to demonstrate adequate procedures were in place to prevent the corporate criminal offence of facilitating tax evasion.

A new Declaration of Interests, Gifts & Hospitality Policy had been created and approved by the Corporate Management Board. This policy was previously seen in draft form by the Audit & Governance committee at its 23 January 2020 meeting and the resulting comments and suggestions had been incorporated.

The Chairman of the Committee thanked the Head of Audit and Management Assurance and his team for the considerable work put in to ensuring that these policies and others elsewhere on the agenda were maintained at an effective standard.

**RESOLVED that the Audit and Governance Committee**

- a) approve the Whistleblowing Policy and the Anti-Fraud & Corruption Policy; and**
- b) endorse the Declaration of Interests, Gifts & Hospitality Policy as approved by the Corporate Management Board.**

Voting: Unanimous.

82. Sustainable Procurement - Presentation

The Committee received a presentation from the Head of Strategic Procurement providing a description and overview of the BCP Council's approach to embedding sustainable procurement into the Council's procurement processes. The processes and benefits were described emphasizing the links with the adopted Corporate Strategy values and priorities and sustainability was now becoming firmly embedded within procurement and commissioning procedures. Essential links with the Council's climate and ecological emergency declaration were also underlined.

Members welcomed the improvements in approach generally to procurement both in BCP Council and in Local Government more widely. Pre-market engagement was also referred to and the importance of training and re-education for staff and suppliers as the system was modernised to meet current priorities. The emphasis on encouraging the participation of Local suppliers was welcomed by the Committee.

The Chairman of the Committee thanked the Head of Strategic Procurement for his presentation and requested that a copy of the presentation slides be circulated electronically to Members of the Committee.

#### Committee Self-assessment

The Chairman referred to discussion at the previous meeting and the request for Officers to explore the potential for a 'self-assessment' of the Audit and Governance Committee using the available CIPFA self-assessment tool. This was now being progressed and all members of the Committee would be asked to contribute to the desk-top assessment exercise. The objective was that views of Officers and Members would be combined with a view to recognising existing strengths and weaknesses and identifying areas where there was more that the Committee could be doing.

#### Future Committees

It was noted that the next meeting of the Committee was on 30<sup>th</sup> April and that there was already a full list of core business identified for that meeting. Additional items for potential exploration by the Committee had nevertheless been highlighted in a canvass of Members by the Chairman. These included Constitutional issues; a look at the way in which the new BCP Council was structured as an Organisation, and finally, the operation of Bournemouth Development Companies.

There was a view the most pressing issue was likely to be a review of 'BH Live' including its structure and finances and the scope of its work managing a large and valuable set of Council assets.

The Chairman agreed to liaise with Members on a date for a possible additional meeting during May when this latter issue could be addressed alongside one of the other identified items, potentially the review of Organisation structure.

The Chairman also requested that Members continued to identify additional items for future examination by the Committee.

The meeting ended at 7.33 pm

CHAIRMAN



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**AUDIT AND GOVERNANCE COMMITTEE**

Report subject	<b>Review of BH Live Contractual and Governance Arrangements</b>
Meeting date	30 July 2020
Status	Public Report
Executive summary	This report seeks to explain the relationship between BCP Council and BH Live, who provide a range of leisure, conferencing and Cultural services. The report makes a number of recommendations for improving the contractual and governance arrangements.
Recommendations	<p><b>It is RECOMMENDED that:</b></p> <p><b>The Council provides greater clarity over the role and expectations of councillors who are members of the BH Live Board and its subsidiaries and whether it is appropriate for Councillors to undertake that role.</b></p> <p><b>That BH Live (alongside similar organisations such as SLM and Lighthouse) are brought to Overview and Scrutiny Committee at least annually</b></p> <p><b>Measures are put in place to agree open book accounting to ensure that the Council is satisfied that BH Live is in a robust financial position and able to fulfil its contractual responsibilities</b></p> <p><b>That the contract management arrangements established by BCP council are embedded.</b></p>
Reason for recommendations	To improve the governance and contractual relationship with BH Live

Portfolio Holder(s):	Councillor Lewis Allison, Portfolio Holder for Tourism, Leisure and Community
Corporate Director	Bill Cotton, Corporate Director for Regeneration and Economy
Report Authors	Bill Cotton, Corporate Director for Regeneration and Economy
Wards	Council-wide
Classification	For Decision

## Background

1. BH Live is an independent company limited by guarantee and a registered charity with an annual turnover of nearly £50m. Originally formed in 2009/10, in 2010 it was awarded a 25-year contract to operate leisure and cultural facilities in Bournemouth and more recently has won contracts to operate facilities at locations including Portsmouth, Croydon and London.

## Organisational structure

2. BH Live is a Company limited by Guarantee and a registered Charity. Charity No 1138311, Company No 07092112. BH Live (Enterprises) Ltd, Company No 07175626 is a wholly owned trading subsidiary of BH Live, established to manage the non-charitable activities, primarily relating to conferences and exhibitions.
3. Councillor Lewis Alison and Councillor Lisa Northover are Trustees on the main Board, and Councillor Stephen Bartlett and Councillor Jackie Edwards are members of BH Live (Enterprises)
4. BH Live is separate to the Council and not wholly or part owned.
5. The BCP Council venues managed by BH Live under this agreement are: Littledown, Stokewood & Pelham's Leisure Centres, and the Bournemouth International Centre and Pavilion, all of which generate £40m+ income and support the local economy. BH Live also manage other leisure facilities in the local area which are not owned by BCP Council, namely: Sir David English, Queens Park and Corfe Mullen Leisure Centres.
6. Littledown, Stokewood & Pelham's Leisure Centres typically welcome more than 1.8m customers in total each year, whilst the BIC and Pavilion together host nearly 500 events with annual ticket sales of approx. 450,000.
7. The Mission of BH Live is described below
  - *Encourage more people to take part in physical activity – by providing leisure facilities to encourage active communities and improve health and wellbeing.*
  - *Attract bigger entertainment audiences – with a diverse range of cultural and artistic events that appeal to a wide variety of tastes.*

- *Deliver economic benefit – by hosting major conferences, exhibitions and events that benefit the local, regional and international economy.*

*BH Live is part of a growing, 70,000-strong social economic sector that includes The Big Issue, Eden Project, Divine Chocolate and Timewise. Together we contribute £18.5 billion to the national economy (2012 Small Business Survey, 2013) and employ almost a million people.*

*A social enterprise is a business that trades for a social and/or environmental purpose. It has a social mission to make a difference to the quality of people's lives. It's a corporate business, with a charitable product and ploughs back all its surplus revenues to fulfil its mission.*

*Unlike a charity, we do not rely on charity (donations, grants, etc) to do our work. And unlike an ethical business, we aren't just trying to minimise our negative social or environmental impact. We're actually here to market and sell social products – and to make a difference.*

*Customers, partners and audiences who choose BH Live get to play their part in building more connected, healthier and happier communities.*

*Our activity also supports thousands of jobs across multiple sectors.*

8. The organisation was established by Bournemouth Borough Council to not only deliver a wide range of services to the community, but to make substantial financial savings on Business rates and VAT etc through its Charitable status. This approach was pioneering at the time and has subsequently been replicated by many local authorities.

## **Summary of legal implications**

9. The primary relationship with the Council is through the contract and contract management procedures. BCP Council has a 25-year legal agreement with BH Live relating to the provision of Leisure, Arts and Cultural Services (2010-2035). The contract provides for an annual service fee to be paid by BH Live to the Council, reviewed every three years and adjusted for RPI and efficiency provisions. Hence the fee started at £439k in 2010/11, in 2014/15 was £941k and has risen incrementally to £1.8 million in 2019/20.
10. The Council retains ownership of the buildings and facilities, and has Landlord repairing responsibilities. BH Live are responsible for maintenance and fixtures and fittings (which in large venues such as the Bournemouth International Centre and Littledown leisure centre add up to substantial commitments)
11. Under Bournemouth Borough Council, regular meetings were held between the relevant Portfolio Holder, the Council's lead officer and BH Live Chief Executive to monitor performance and resolve any issues between the two organisations such as prioritisation of repairs, opportunities to bid for Sports lottery funding etc. The lead officer for contract management has changed several times over the last few years, after a series of reorganisations and in the run-up to Local Government reorganisation. The contract was managed from a resource's perspective i.e. focussing primarily on the financial relationships and the investment requirements of the buildings and assets.

12. In addition, performance updates have previously been considered by a Council committee on an annual basis. No performance update has yet been considered for 19/20, and this report has now been delayed due to the current COVID 19 related situation.
13. Councillors who hold positions on the BH live main board and its subsidiaries can find themselves in a difficult position, where they have a duty to act in the best interests of the organisation, but also have their wider Council and community interests. These interests could potentially be in conflict.
14. Since BCP was established, new arrangements have been established to monitor the contract, with an experienced Head of Leisure recently appointed. The Chief Executive of BH Live has changed and a new approach is being developed.

### **Summary of human resources implications**

15. BH Live a major local employer with 1300 staff within the BCP area representing over 250 full time equivalent jobs. Currently, all but a small contingent of employees (approx. 20) have been furloughed under the governments job retention scheme.

### **Summary of sustainability impact**

16. Although not a statutory service, councils play a strategic role in determining and driving local economic priorities to increase economic growth, job creation and make local areas attractive places to live and work.

### **Summary of public health implications**

17. The facilities and services operated by BH Live form a vital part of the area's leisure, sports and cultural infrastructure and support the strategic priorities of the Council.
18. They enable residents and visitors to lead active healthy & enriched lifestyles, participate in a wide range of activities and play a key role through direct initiatives such as exercise referral schemes. As such, any changes to provision can have implications on public health and well-being which should be considered as part of decision making.

### **Summary of equality implications**

19. None identified

### **Background papers**

- ☐ Annual Report to Economy & Tourism O&S Panel April 2017
- ☐ Performance Update - Environment & Economy O&S Panel Sept 2018
- ☐ Performance update - Environment & Economy O&S Panel Feb 2019

### **Appendices**

Appendix 1 BH Live 10 Year report



bhlive

# BH Live in partnership with BCP Council

10 year review

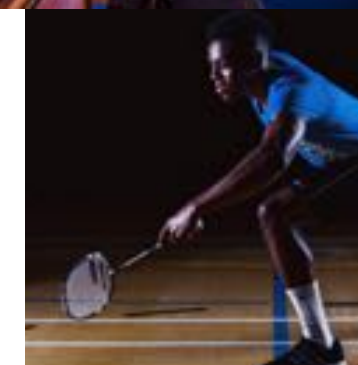


2010 - 2020



# our story so far...

2010 - 2020



BH Live was born out of Bournemouth Borough Council on 1 May 2010. We launched as a charitable trust – a social enterprise to operate the town's leisure centres and event venues for the benefit of the community. Overnight, the delivery of public services went from costing the Council £1,000,000 a year, to generating between **£440,000-£1.9 million** a year in service fees for the authority. Furthermore, the estimated charitable benefits to BCP Council have reached over **£20 million** to date.

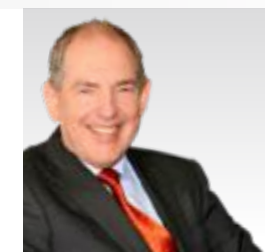
Over the decade our mission, has been to enable more people to enjoy being more active and experience cultural activities.

This has resulted in more than **28 million** sport and leisure centre attendances.

Furthermore, around **six million** event goers have enjoyed a vibrant and diverse programme of arts, entertainment, culture, conferences, exhibitions and festivals.

As well as enriching the health and wellbeing of people's lives across Dorset, Hampshire and London, this has generated an estimated **£507 million** in economic benefit across the BCP region through business and cultural tourism.

**Michael Wright,**  
Chair





# executive summary and looking ahead

2010 - 2020

“It is an incredible milestone to reach our tenth anniversary and we are so very proud and grateful to our customers, employees and partners who have, and continue to, support our charitable ambitions and activities. This has had an immensely positive impact on the health and wellbeing of those in the communities we serve.”

The achievements are many and the impact on people's health and wellbeing has been significant. We have literally seen hundreds of thousands of people improve their health by being more active. Pioneering exercise schemes for people living with conditions such as cancer, arthritis, lung disease, Parkinson's disease and mental illness have transformed the quality of people's lives.

Our learn to swim scheme has delivered a skill for life to so many people of all ages and abilities. Sports development and grass roots programmes have instilled a passion for football, netball, tennis and gymnastics.

Cultural appreciation for classical music, popular entertainment, festivals, exhibitions, dance, drama and family friendly theatre has been broadened thanks to special performances and concessionary schemes to enable maximum participation for all. And by hosting large scale conferences, business events, exhibitions, awards, banquets and dinners we are supporting our business communities too.

However just like thousands of other charities and social enterprises across the UK, the consequences of COVID-19 on our

sector, and customers, employees and communities, has been devastating.

Because of our social enterprise model, we rely on surplus from commercial activity to support our charitable programme. To mitigate the loss of income from closures, we are working closely with our partners and suppliers to reduce operating costs while we cannot trade.

While these are difficult times we have also been touched by the warm offers of generosity from some of our customers who have either donated the value of their tickets to us or made a contribution to our theatre restoration projects.

And I think that demonstrates the value our communities place on what we do and the impact we have on people's lives.

So as we look to the future, we do so knowing that over the past ten years we have firmly established a place in people's hearts and in our communities – and that is a great foundation for us to build on as we adapt and approach the next chapter.

**Chris Symons**, Chief Executive



# facts and figures

2010 - 2020

## Annual savings delivered to BCP Council

Estimated VAT and business rates savings to BCP Council over 10 years are  
**£20m**



## Fees paid to BCP Council in 10 year period

£13.7m (net of VAT) over 10 years, has increased by  
**343%**  
over 10 years from £440k a year to **£1.94m** a year



## Investment in assets over 10 years

**Over £11m**  
This includes all Bournemouth sites, plus capital project spend across multiple sites



## Economic benefit provided over 10 years

**£507m**  
Economic benefit contributed by BIC and Pavilion in 10 years (Conferences and Events)



## Growth in membership numbers over 10 years

Increased by  
**293%** from under 7,000 to over  
**26,000**  
Original 4 sites increased by 200% to over 20,000



## Growth in leisure centre visits over 10 years

Increased by 82% from 1.4m to over  
**2.5m**  
Original 4 sites increased by 52% to over  
**2.1m**







# valuing people, developing talent

Platinum  
Awards  
2017

2010 - 2020



A significant employer in the leisure and events industry, more than **1,700 people** work for BH Live. Roles include sports and health professionals, teachers and coaches, theatre operators and entertainment specialists, chefs, baristas and hospitality servers, customer service and ticketing assistants, event organisers and technicians. And last year we launched our graduate management scheme to attract further talent into the organisation.

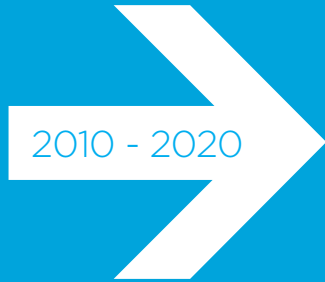
Because we bring footfall into our communities, our activity also indirectly underpins an estimated 5,000 jobs supporting the transport, hospitality, tourism and retail sectors.







# recognising quality, diversifying services



Industry standards and awards from leading bodies such as UK Active, Quest, AIPC, Community Leisure UK and Investors in People, recognise our commitment to delivering quality services and employee training and development.

Growth and diversification has seen us develop our own hospitality and ticketing services which have been rolled out across south of England, creating further employment and supporting partner venues, events and festivals.



# charitable activity supports communities

23

2010 - 2020



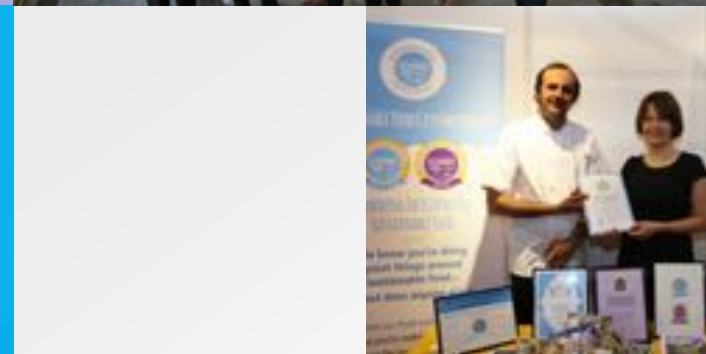
Together with revenue from leisure centre membership and events, surplus generated supports our programme of charitable activity including free-to-attend community open days and cultural performances, tea dances, children's storytelling sessions, theatre education schemes. It enables us to carry out restoration work and provide cultural subsidies to enable community performance in the arts, event concessions and art galleries.

Free children's swimming sessions, subsidised gym and exercise classes, and activity programmes for people on low income and for those living with long term health conditions, also form part of our charitable activity in our communities.



# creating better public services

2010 - 2020



Over the decade we have invested in the region of **£11 million** to improve and launch new public facilities and services.

This includes creating high ropes leisure attractions, seasonal ice and roller rinks, soft play centres, developing parks and green spaces, opening community cafés and bars, pop-up catering outlets and leisure centre expansions.

In conjunction with our local authority partners, several corporate social responsibility initiatives, such as Solar PV and LED light installations, energy saving CHP units, water recycling and building management systems, are reducing the consumption of gas, electricity and water across our centres and venues. And improved recycling, alongside socially responsible procurement for items including food and drink, supports local suppliers and other fellow social enterprises.



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Limited by Guarantee  
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Company No: 07092112.  
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## Audit & Governance Committee

Report Subject	<b>Treasury Management Monitoring Outturn 2019/20 and Update for Quarter 1 2020/21</b>
Meeting date	30 July 2020
Status	Public
Executive summary	<p>This report sets out the monitoring of the Council's Treasury Management function for the period 1 April 2019 to 31 March 2020. A surplus of £1.4 million was achieved through higher investment returns and lower borrowing costs.</p> <p>The report also sets out the Quarter One performance for 2020/21 which forecasts a £112,000 underspend caused by higher cash balances than previously assumed reducing the need to borrow in the short term.</p>
Recommendations	<p><b>It is recommended that Audit &amp; Governance Committee:</b></p> <ol style="list-style-type: none"> <li>1) note the reported activity of the Treasury Management function for 2019/20.</li> <li>2) note the reported activity of the Treasury Management function for April to June 2020.</li> </ol>
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
Classification	For information and recommendation
Report author	<p>Matthew Filmer, Finance Manager – Corporate</p> <p> <a href="mailto:matthew.filmer@bcpcouncil.gov.uk">matthew.filmer@bcpcouncil.gov.uk</a></p>

## **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 2020 year started with optimism pointing to an upswing in growth after the ending of political uncertainty. Since then, the whole world has changed as a result of the coronavirus outbreak. The fall in economic growth for April was minus 24.5% year on year after the closedown of whole sections of the economy. What is uncertain, however, is the extent of the damage that will have been done to businesses by the end of the lockdown period, how consumer confidence and behaviour may be impacted afterwards, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover to what was formerly regarded as normality. However, some changes during lockdown are likely to be long lasting, for example a shift to online purchasing and working from home. The lockdown has also had a sharp effect in depressing expenditure by consumers which means their level of savings have increased and debt has fallen. This could provide fuel for a potential surge in consumer expenditure once some degree of normality returns.
6. Although the UK left the EU on 31 January 2020, we still have much uncertainty as to whether there will be a trade deal achieved by the end of 2020. At the end of June, the UK government rejected extending the transition period beyond 31 December 2020. This has increased the chances of a no-deal Brexit. However, the most likely outcome is expected to be a slim deal on trade in order to minimise as much disruption as possible. However, uncertainty is likely to prevail until the deadline date which will act as a drag on recovery.

7. After the Monetary Policy Committee (MPC) left the bank rate unchanged at 0.75% in January 2020, the onset of the coronavirus epidemic in March forced it into making two emergency cuts in bank rate first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in quantitative easing (QE), essentially the purchases of gilts (mainly) by the Bank of England of £200bn. In June, the MPC decided to add a further £100bn of QE purchases of gilts, but to be implemented over an extended period to the end of the year. The total stock of QE purchases will then amount to £745bn. It is not currently thought likely that the MPC would go as far as to cut bank rate into negative territory, although the Governor of the Bank of England has said all policy measures will be considered. The Governor also recently commented about an eventual tightening in monetary policy – namely that he favours unwinding QE before raising interest rates. Some forecasters think this could be as far away as five years.
8. The government and the Bank of England were also very concerned to stop people losing their jobs during this lockdown period. Accordingly, the government introduced various schemes to subsidise both employed and self-employed jobs for three months to the end of June while the country was locked down. It also put in place a raft of other measures to help businesses access loans from their banks, (with the government providing guarantees to the banks against losses), to tide them over the lockdown period when some firms may have little or no income. However, at the time of writing, this leaves open a question as to whether some firms will be solvent, even if they take out such loans, and some may also choose to close as there is, and will be, insufficient demand for their services. The furlough scheme was subsequently extended for another three months to October, but with employers having to take on graduated increases in paying for employees during that period. The Bank of England expects the unemployment rate to double to 8%.
9. The government measures to support jobs and businesses will result in a huge increase in the annual budget deficit for the current year, from about 2% to nearly 17%. The ratio of debt to GDP is also likely to increase from 80% to around 105%. In the budget in March, the government also announced a large increase in spending on infrastructure; this will also help the economy to recover once the lockdown is ended. Economic statistics during June were giving a preliminary indication that the economy was recovering faster than previously expected. However, it may be a considerable time before economic activity recovers fully to its previous level.
10. The annual inflation rate dropped to 0.5% in May from 0.8% in April and could reach zero by the end of the year. Inflation rising over 2% is unlikely to be an issue for the MPC over the next two years as the world economy will be heading into a recession; this has caused a glut in the supply of oil which initially fell sharply in price, although the price has recovered somewhat more recently. Other UK domestic prices will also be under downward pressure; wage inflation was already on a downward path over the last half year and is likely to continue that trend in the current environment where unemployment will be rising significantly. In May's Monetary Policy Report, the Bank of England predicted that inflation would hit their 2% target by 2022. This was in

the context of its forecast that GDP would rise by 3% in 2022 after a recovery during 2021. While inflation could even turn negative in the Eurozone, this is currently not likely in the UK.

### Public Works Loan Board (PWLB) Consultation

11. In October 2019, the Treasury unexpectedly added an additional 1% to all PWLB rates available. The change was cited as a reaction to record low interest rates and a rapid increase in levels of borrowing by local authorities with government concern that this will be linked to commercial investments designed to produce a financial return to invest in services.
12. The Treasury has since launched a consultation on potential changes to PWLB borrowing. The key change is councils will not be able to access PWLB borrowing at all if there are any commercial investments in planned programmes of capital expenditure. It is expected that the additional 1% charge will be reversed once these proposed changes are in place.

### Interest Rates

13. 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.

**Table 1: Interest rate projection (Link Asset Services)**

Interest Rate Forecasts								
Bank Rate	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Link	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Cap Econ	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	-	-
<b>5Y PWLB RATE</b>								
Link	1.90%	1.90%	2.00%	2.00%	2.00%	2.00%	2.00%	2.10%
Cap Econ	1.90%	2.00%	2.00%	2.00%	2.00%	2.00%	-	-
<b>10Y PWLB RATE</b>								
Link	2.10%	2.10%	2.20%	2.20%	2.20%	2.20%	2.20%	2.30%
Cap Econ	2.00%	2.10%	2.10%	2.10%	2.10%	2.10%	-	-
<b>25Y PWLB RATE</b>								
Link	2.50%	2.50%	2.60%	2.60%	2.60%	2.60%	2.60%	2.70%
Cap Econ	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%	-	-
<b>50Y PWLB RATE</b>								
Link	2.30%	2.30%	2.40%	2.40%	2.40%	2.40%	2.40%	2.50%
Cap Econ	2.30%	2.20%	2.20%	2.20%	2.20%	2.20%	-	-

### Treasury Management Performance 2019/20

14. Table 2 overleaf shows the overall treasury management position for 2019/20. Investment income exceeded budget by £227,000 (previously reported £110,000). The cause of this was higher cash balances than expected for the new authority as well as securing above average interest rate returns.
15. The interest paid on borrowings was £1,207,000 under budgeted cost. This was due to the provision made for Christchurch's share of the accumulated debt of Dorset County Council (DCC). As a matter of prudence, it was assumed that the cost of borrowing will be in line with the budget until the balance sheet disaggregation was confirmed in February 2020.

**Table 2: Treasury Management Performance 2019/20**

	<b>Actuals 2019/20 £'000</b>	<b>Budget 2019/20 £'000</b>	<b>Variance 2019/20 £'000</b>
<b><u>Expenditure</u></b>			
Interest Paid on Borrowings	1,657	2,864	(1,207)
<b><u>Income</u></b>			
Investment Interest Received	(412)	(185)	(227)
<b>Total</b>	<b>1,245</b>	<b>2,679</b>	<b>(1,434)</b>

## Borrowing

16. 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.
17. Table 3 set out below shows the closing level of borrowing for the Council's two loans pools.

**Table 3: Council Borrowings as at 31 March 2020**

Initial Loan Value £'000	Interest Rate	Balance as at 31 Mar 2020 £'000	Maturity Date	General Fund Pool £'000	HRA Pool £'000	Source
<b>Short Term Borrowing</b>						
20,000	1.10%	20,000	06-Apr-2020	20,000	-	Lancashire County Council
10,000	0.75%	10,000	09-Apr-2020	10,000	-	Essex County Council
5,000	0.70%	5,000	09-Apr-2020	5,000	-	Pembrokeshire County Council
30,000	1.40%	30,000	30-Apr-2020	30,000	-	Warrington Borough Council
10,000	0.80%	10,000	18-Sep-2020	10,000	-	London Borough of Camden
10,000	3.28%	10,000	14-Sep-2020	-	10,000	PWLB
<b>85,000</b>	1.34% <i>Average Rate</i>	<b>85,000</b>		<b>75,000</b>	<b>10,000</b>	
<b>1 - 2 Year LA Loans</b>						
10,000	0.90%	10,000	26-Apr-2021	10,000	-	Nottingham City Council
5,000	0.85%	5,000	28-Apr-2021	5,000	-	Wokingham Borough Council
<b>15,000</b>	0.88% <i>Average Rate</i>	<b>15,000</b>		<b>15,000</b>	-	
<b>Long Term Borrowing</b>						
<b>145,896</b>	4.87% <i>Average Rate</i>	<b>142,354</b>		<b>20,000</b>	<b>122,354</b>	17 individual PWLB loans
22,625	2.26% + RPI Annually	17,785	17-Oct-2039	17,785	-	Prudential Assurance Co
3,673	0.00%	1,016	01-Apr-2023	1,016	-	Salix
<b>272,194</b>		<b>261,155</b>		<b>128,801</b>	<b>132,354</b>	<b>Total Borrowings</b>

## Investments

18. 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.
19. A full list of investments held by the authority as at 31 March 2020 is shown in Table 4 below.

**Table 4: Investment Summary as at 31 March 2020**

Investments	Maturity Date	Principal Amount £	Interest %
<b><u>Fixed Term Deposits</u></b>			
Bank of England Debt Management Account	09-Apr-2020	20,675,000	0.09%
Bank of England Debt Management Account	17-Apr-2020	5,425,000	0.08%
Goldman Sachs International Bank	02-Jul-2020	10,000,000	1.02%
Cardiff Council	08-Jan-2021	5,000,000	1.05%
<b>Sub Total</b>		<b>41,100,000</b>	
<b><u>Call Account</u></b>			
Lloyds Bank	95 day notice	15,000,000	0.45%
Handelsbanken	instant access	18,040,000	0.76%
Aberdeen Standard Liquidity Fund	instant access	9,685,000	0.47%
<b>Total</b>		<b>83,825,000</b>	

20. The Treasury Management function has continued to achieve higher average returns of 0.89% for the period 1 April 2019 to 31 March 2020 for its combined investment compared to the average 7-day benchmark rate of 0.54%.

## Treasury Management Performance 2020/21

21. Table 5 below shows the overall treasury management position for 2020/21. Investment income is forecast to fall short of the budget by £73,000 due to the historically low interest rates being lower than the rates assumed within the budget. Forecast interest payable is expected to be £185k under budget due to the lower interest rates available to borrow in the short term as well as higher cash balances in year than previously assumed.



**Table 5: Treasury Management Performance 2020/21**

	<b>Forecast 2020/21 £'000</b>	<b>Budget 2020/21 £'000</b>	<b>Variance 2020/21 £'000</b>
<b><u>Expenditure</u></b>			
Interest Paid on Borrowings	1,615	1,800	(185)
<b><u>Income</u></b>			
Investment Interest Received	(112)	(185)	73
<b>Total</b>	<b>1,503</b>	<b>1,615</b>	<b>(112)</b>

## Borrowing

22. Table 6 set out below shows the closing level of borrowing for the council's two loans pools.

**Table 6: Borrowing as at 30 June 2020**

<b>Initial Loan Value £'000</b>	<b>Interest Rate</b>	<b>Balance as at 30 Jun 2020 £'000</b>	<b>Maturity Date</b>	<b>General Fund Pool £'000</b>	<b>HRA Pool £'000</b>	<b>Source</b>
<b>Short Term Borrowing</b>						
10,000	0.80%	10,000	18-Sep-2020	10,000	-	London Borough of Camden
10,000	0.90%	10,000	26-Apr-2021	10,000	-	Nottingham City Council
5,000	0.85%	5,000	28-Apr-2021	5,000	-	Wokingham Borough Council
10,000	3.28%	10,000	14-Sep-2020	-	10,000	PWLB
<b>35,000</b>	<b>1.46% Average Rate</b>	<b>35,000</b>		<b>25,000</b>	<b>10,000</b>	
<b>Long Term Borrowing</b>						
<b>145,896</b>	<b>4.87% Average Rate</b>	<b>142,354</b>		<b>20,000</b>	<b>122,354</b>	17 individual PWLB loans
22,625	2.26% + RPI Annually	17,602	17-Oct-2039	17,602	-	Prudential Assurance Co
3,673	0.00%	634	01-Apr-2023	634	-	Salix
<b>207,194</b>		<b>195,590</b>		<b>63,236</b>	<b>132,354</b>	<b>Total Borrowings</b>

## Investments

23. A full list of investments held by the authority as at 30 June 2020 is shown in Table 7 below.

**Table 7: Investments as at 30 June 2020**

Investments	Maturity Date	Principal Amount £	Interest %
<b><u>Fixed Term Deposits</u></b>			
Goldman Sachs International Bank	02-Jul-2020	10,000,000	1.02%
Bank of England Debt Management Account	13-Jul-2020	4,990,000	0.01%
Bank of England Debt Management Account	17-Jul-2020	20,600,000	0.01%
Cardiff Council	08-Jan-2021	5,000,000	1.05%
<b>Sub Total</b>		<b>40,590,000</b>	
<b><u>Call Account</u></b>			
Lloyds Bank	95 day notice	15,000,000	0.30%
Handelsbanken	instant access	18,040,000	0.15%
Aberdeen Standard Liquidity Fund	instant access	9,685,000	0.25%
<b>Total</b>		<b>83,315,000</b>	

24. The Treasury Management function has continued to achieve higher average returns of 0.28% for the period 1 April 2020 to 30 June 2020 for its combined investment compared to the average 7-day benchmark rate of -0.04%.

### Prudential Indicators

25. The Treasury Management Prudential Code Indicators were set as part of the 2019/20 & 2020/21 Treasury Management Strategy. It can be confirmed that all indicators have been complied with during all of 2019/20 and the period 1 April 2020 to 30 June 2020.

### Impact of COVID19 on the Treasury Management Policy

26. The Treasury Management activities of the council are regularly audited both internally and externally to ensure compliance with the council's Financial Regulations.
27. 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. During March the council started to receive funding in relation to Covid-19 support and there was significant uncertainty about how financial institutions would be impacted by the economic fall out of the pandemic. This included local authorities being more resistant to inter-local authority activity. On 24<sup>th</sup> March the Corporate Incident Management Team under direction of the S151 Officer and Monitoring Officer agreed that more than 25% could be invested with the Bank of England's Debt Management Office (DMO). This was clearly carried out to ensure safeguarding of public funds in an extremely unstable and uncertain period. This policy has since been relaxed so that only the excess business grant funding is held in the DMO but the approach will be kept under constant review.
28. It can be confirmed that the Treasury Management Strategy has been complied with during the period 1 April 2019 to 31 March 2020.

## **Summary of Financial/Resource Implications**

29. Financial implications are as outlined within the report.

## **Summary of Legal Implications**

30. Consultation with the Monitoring Officer was carried out when the Section 151 Officer increased the counterparty investment limit with the Debt Management Office.

## **Summary of Equalities and Diversity Impact**

31. 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**

32. 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**

33. 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**

34. 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**

35. 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**

36. 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**

37. 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**

38. Treasury Management Strategy 2020/21 presented to Audit and Governance on 23<sup>rd</sup> January 2020.  
<https://democracy.bcpccouncil.gov.uk/documents/s14753/Appendix%20-%20BCP%20Treasury%20Management%20Strategy%202020-21.pdf>

## AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Governance of Budget Monitoring</b>
Meeting date	30 July 2020
Status	Public Report
Executive summary	At the request of the Chair of the Audit and Governance Committee this report has been produced to reflect on the recommendation of the COVID-19 - 2020/21 Budget Monitoring report to Cabinet on the 24 June 2020.
Recommendations	<b>It is RECOMMENDED that Audit &amp; Governance Committee:</b>  <b>Members reflect on the content of this report and consider any recommendations in respect of the Councils financial regulations.</b>
Reason for recommendations	To ensure transparency in respect of the background to the June Covid19 – 2020/21 Budget Monitoring Report to Cabinet.
Portfolio Holder(s):	David Brown, Portfolio Holder for Finance
Corporate Director	Julian Osgathorpe, Corporate Director for Resources
Report Authors	Adam Richens, Service Director for Finance and s151 Officer
Wards	Council-wide
Classification	For Information

### Governance of Budget Monitoring

1. The Audit and Governance Committee is responsible for a continuous review of the Council's regulatory framework and for maintaining an overview of the Councils Constitution including those elements relating to the financial regulations.
2. A transparent framework of financial management responsibilities and decision making is essential to the effective management of the Council's financial affairs. To this affect the Councils Financial Regulations stipulate:

- Council is responsible for approving the annual budget of the Council in February of the preceding financial year and for approving individual high value virements, write offs, new capital projects, acquisitions and disposals of land.
- Cabinet is responsible for proposing the annual budget to Council and for monitoring performance against the revenue and capital budget and like Council has responsibilities to approve individual virements, write offs, capital projects, acquisitions and disposals that are not delegated to officers nor reserved to Council.
- The Chief Finance Officer is responsible for ensuring accurate and timely financial information is available to enable effective budget monitoring and reporting and acting if overspends or shortfalls in income emerge. Any such budget monitoring reports should include an explanation of all variances projected to be in excess of £100,000.
- To ensure the Council does not exceed its overall budget. Service Directorates and Managers are required to manage their own income and expenditure and the associated service delivery within the cash limited budgets allocated to them. Any forecast revenue overspends, or income shortfalls should be mitigated through compensating underspends or over achievement of income elsewhere. In doing so all employees are expected to adopt the seven Nolan principles of public life, *selflessness, integrity, objectivity, accountability, openness, honesty and leadership*.
- Within the general delegation to officers the Chief Executive and Directors have the power to take all operational decisions within agreed service plans, budgets and policies in relation to the services for which they are responsible. They will keep the Leader and Cabinet informed. There is no specific stated requirement to seek the approval of either the Cabinet or Council for any reduction in spend in pursuance of the objective to ensure services stay within their cash limited budget. There is, however, an expectation on officers who are taking any such decisions which may be considered to be sensitive to consult with the relevant Portfolio holder. Those decisions should then, as a matter of good practice, be supported by written Officer Decision Records (ODR) to ensure that the decision is properly recorded, although there is no requirement to publish those ODR's. Corporate Directors have completed ODRs in respect of any relevant decisions associated with the June 2020/21 Budget Monitoring Report.
- The Leader through Cabinet has the overall ability to ensure that the underlying principles set out in the financial regulations are adhered to in relation to any changes required from time to time including recommending to Full Council any changes to policy that will materially reduce or increase the services of the Council or create significant financial commitments in future years in accordance with the requirements of the Financial Regulations along with taking in year decisions on resources and priorities to deliver the Key Policy Framework, Corporate Plan and Budget. As a point of general law, the Leader retains authority to make any executive decision either through herself or through Cabinet.
- The term virement refers to the formal transfer of resources between or within approved cost centres or budget headings and Service/Business Plans. A virement does not create any additional budget and provides a mechanism to manage budgets within the overall Policy Framework and Budget set by Council. Virements are only permissible in the following circumstances;
  - to reflect a reorganisation or restructure

- to reflect a change in corporate priorities
  - the receipt of additional grant or other funding
  - the distribution or redistribution of centrally held budgets
  - the correction of errors to initial budget load
3. Cabinet has delegated powers to approve allocations of resources from approved contingencies and reserves. Council has the power to approve allocations of resources from approved contingencies and reserves in excess of the approved contingencies and reserves recommended by Cabinet.
4. The Covid 19 2020/21 Budget Monitoring Report to Cabinet on the 24 June 2020 made the following recommendations;
1. Note the progress in the development of the budget mitigation strategy as a result of Covid-19 pressures.
  2. Continue to lobby Government for additional funding to reduce the projected budget gap caused by the outbreak
- It should be noted that the report was taken in close consultation with portfolio holders.
5. The approach taken to the treatment of the estimated 2020/21 budget pressures and the proposed flexible mitigation strategy:
- Recognised the high level of uncertainty attached to the estimates around the impact of the covid19 public health emergency.
  - Recognised the high level of uncertainty attached to the level of any package of additional support from the Government.
  - Recognised the intent that Cabinet/Council (as appropriate) will be requested to formally make decisions around the allocations of resources from approved contingencies and reserves later in the year once there is a greater level of certainty around the need for such approvals.
6. The approach as adopted is consistent with that adopted in the monitoring of the budget of the council in its first year of operation (2019/20). For example, as part of the 2019/20 quarter one budget monitoring report to Cabinet in September 2019 a forecast service overspend of £4.993 million was noted by the report. Savings were developed and implemented as part of the necessary mitigation strategy with Council approval to release the Financial Resilience Reserve not requested until there was more certainty and as part of the quarter three budget monitoring report (February 2020).
7. The approach is also consistent with those adopted by the predecessor councils. As an example, as part of its 2018/19 budget monitoring report for the period to the end of July 2018 (Bournemouth Cabinet 11 September 2018) a £710,000 overspend was forecast and noted. By the September budget monitoring report (Bournemouth Cabinet 7 November 2018), which was also noted, a balanced position was being forecast due to the successful mitigation strategy put in place.

8. In addition, and in line with financial regulations the Covid19 2020/21 Budget Monitoring Report included within sections 58 to 73 a summary of the key actions that were being taken within each Directorate. In addition, and as an appendix (Appendix A3) the report provided further details by Directorate of the flexible mitigation strategy and the key variances from budget over £100,000. In summary these proposed potential savings presented in the report mainly reflected;
- Learning from the first complete year of operating the new Council.
  - The natural attrition in the budget from services not operating during the period of lockdown.
  - Savings from further transformation work.
  - Savings from further service alignment work.
  - Savings from furloughing staff.
  - Savings from vacant posts and posts filled by temporary employees.
  - Deferment of uncommitted expenditure on specific Member priorities.
  - The use of residual unearmarked and the re-designation of earmarked reserves to avoid cuts to service due to the high level of uncertainty.
9. As per the established governance process, the report was presented to the Overview & Scrutiny Board on the 15 June 2020 which provided the opportunity to scrutinise any of the proposed savings set out within the report. As part of that scrutiny process the Board were able to scrutinise specific areas of concern or make alternative proposals to Cabinet. Financial Services and the relevant Directorates have also answered any supplementary questions to further expand or explain the proposals presented.
10. Appendix A to this report provides information which sets out the numerous and various approaches being taken by South West Councils to the impact of the public health emergency on their financial position. The list has been anonymised as some of the authorities are yet to agree their position with their relevant councillors. This information was shared with the Chair of the Overview & Scrutiny Board and the Chair of the Audit and Governance Committee on 2 July 2020.

#### **Independent Advice – External Auditor**

11. From the outset of the Covid 19 pandemic, the Council has updated us with the various financial scenarios which will impact on the 2020/21 budget and beyond. Indeed, BCP Council was one of the first to seek our views on the various scenarios caused by the pandemic and how they might play out. Our concern from the start was that the Council took immediate steps to drive additional savings rather than assume additional Government funding. Based on our review of the Council's plans to date, we are satisfied that the urgency of the financial challenges facing the Council are recognised and understood and a number of actions to mitigate financial risk are underway



**Options Appraisal**

12. An options appraisal is not applicable for this report.

**Summary of financial implications**

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

**Summary of legal implications**

14. The requirements of the Constitution relating to delegations and financial regulations are set out within the body of the report.

**Summary of human resources implications**

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

**Summary of sustainability impact**

16. There are no direct sustainability impact 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 equalities implications from this report.

**Summary of risk assessment**

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

**Background papers**

Covid19 – 2020/21 Budget Monitoring Report – 24 June 2020 Cabinet

<https://democracy.bcpccouncil.gov.uk/ieListDocuments.aspx?CId=285&MIId=4290&Ver=4>

**Appendices**

Appendix A – Different approaches by South West Councils

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# **Local Authorities response to current Financial Management challenges**

Please note some are subject to review following the Governments announcements of a broader package of support for local authorities which was set out in broad terms on the 2 July 2020.

BCP Council	27 May 2020 - BCP Council Finance Update 24 June 2020 – 2020/21 Budget Monitoring Report 28 October 2020 -2020/21 Budget Monitoring & MTFP Update 16 December 2020 - 2020/21 Budget Monitoring & MTFP Update 10 February 2021 – 2020/21 Quarter 3 in-year budget monitoring 10 February 2021 - 2021/22 Budget & MTFP Update Report
A	June Budget Monitoring Report September MTFP Update Report
B	28 July Quarter 1 Financial Monitoring Update Report No plan for an Emergency Budget
C	Until I receive clarity and certainty on whether more funding is forthcoming, it is difficult to ascertain when would be appropriate. I have made this clear to MHCLG.
D	Initial report outlining the financial impact of CV19 29th June. September report to Resources committee detailing remedial action.
E	July Quarter 1 monitoring report
F	June Cabinet report on forecast position and outline of financial response plan. October Draft Revenue Budget & MTFP which will incorporate the outcomes of the short-term action in financial response plan and refreshed understanding of available resources. October Q1 monitor reports to dovetail into draft budgets.
G	July Executive report Full Council late Summer with revised budget or budget update with gap
H	June formal report on estimated financial impact Quarterly reporting thereafter July - 1st draft of new MTFS September - revision of current year budget October - draft budget 21/22 November - Updated MTFS December - provisional budget 21/22 January - final budget 21/22 approved
I	Cabinet June Council July TBC
J	Emergency Budget in July 2020
K	New formal governance process agreed for officers but no formal governance process for members

L	<p>Provided verbal update to members at committee on 1 June on projected financial impact.</p> <p>Pending further government funding announcements in June/early July will be looking to take revised MTFP to members in August.</p>
M	<p>The financial impact of COVID19 is a regular item on the Senior Leadership meeting agenda and formal financial monitoring report are taken to each Cabinet meeting which will include any formal budgetary decisions.</p>
N	<p>I expect to take a revised Financial Strategy and MTFP to Executive in early Aug.</p> <p>By this time, it would have been discussed at Senior Leadership Team in June/July.</p> <p>It will then go to Full Council late Aug.</p>
O	<p>May - revision of estimates</p> <p>June - Savings plans</p> <p>July - Scrutiny &amp; Exec</p> <p>August - comms strategy</p> <p>September - implementation</p>
P	<p>August Members' Budget Workshops on options</p> <p>September Amended Budget 2020/21 to be approved by Council</p>
Q	<p>We are currently planning to manage 2020/21 variances through quarterly budget monitoring and then complete a new MTFS for review in September / October when the future funding picture may be clearer,</p>
R	<p>August Member Budget Workshops on options</p> <p>September Amended Budget for 2020/21</p>
S	<p>Cabinet July/Aug</p> <p>Council Sept = revised budget 2020/21 and draft budget 2021/22</p>

At this stage the names of authorities (predominately South West Authorities Counties, Districts and Unitaries) has been anonymised as the arrangements as still subject to confirmation.

**AUDIT AND GOVERNANCE COMMITTEE**

Report subject	<b>Risk Management – Corporate Risk Register Update</b>
Meeting date	30 July 2020
Status	Public Report
Executive summary	<p>This report updates councillors on the position of the council's Corporate Risk Register. The main updates are as follows:</p> <ul style="list-style-type: none"> <li>• The significant changes to the risk landscape faced by the council as a result of the pandemic.</li> <li>• An introduction to the COVID-19 Corporate Risk Register created in April 2020.</li> <li>• Information on the planned consolidation of the two registers.</li> </ul>
Recommendations	<p><b>It is RECOMMENDED that:</b></p> <p><b>Audit and Governance Committee note the update provided in this report relating to corporate risks.</b></p>
Reason for recommendations	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 of Resources
Report Authors	<p>Fiona Manton  Risk &amp; Insurance Manager  ☎01202 451274  <a href="mailto:fiona.manton@bcpcouncil.gov.uk">fiona.manton@bcpcouncil.gov.uk</a></p>
Contributions	Corporate Management Board
Wards	Council-wide
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 co-ordinated 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 an important 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 one, 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 during 2020.
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.

## **Corporate risk landscape**

5. Taking into consideration the current situation with COVID-19, the reporting for this quarter is different from previous risk reports. This is reflective of the significant and material change to the risk landscape faced by the council. The following paragraphs outline the position with the Corporate Risk Register and then introduce the creation of the COVID-19 Corporate Risk Register and outline the further areas of work currently underway.

## **Review of corporate risks**

6. A summarised version of the Corporate Risk Register is enclosed as Appendix 1 to this report. As previously reported to this committee, corporate risks are reviewed on a regular basis and the risk information, mitigations and actions are updated and reported. In this quarters update this detail is not included.
7. The update provided, whilst it does not include specific detail, provides the following additional information:

CR1 - Failure to respond to the needs arising from a changing demography – The Chief Executive is reviewing the current mitigations and considering new actions to reduce the likelihood of this risk arising.

CR5 - Failure to plan effectively for Brexit – The net score of this risk has been updated. The reduction from 8 to 6 is reflective of the national position and the local planning arrangements.
8. The Corporate Risk Register is currently the subject of a comprehensive review. Details of this review are outlined further in paragraph 13 of this report.

## **Creation of COVID-19 Corporate Risk Register**

9. Members will recall that the scheduled April 2020 meeting of the Audit and Governance Committee did not meet in the usual way but that their assistance was sought in the creation of a Corporate Risk Register relating specifically to those risks around COVID-19.
10. Technology was used to support the hosting of a virtual workshop with the aim of considering the risks that the council either faced or would face as a result of COVID-19 pandemic. This workshop took place on the 30 April 2020 with the support of the members of the Audit and Governance Committee, the Leader of the Council, the Chief Executive and senior colleagues.
11. The Risk Management Team created an outline list of risks to support the process. These risks were discussed by the participants to determine their relevance to the council and additional risks were identified. This proved a very helpful exercise in both the identification of the key risks but also in capturing the collective thoughts of those present in relation to each of the areas covered and refining the individual risks.
12. Included at Appendix 2 is a summary of the risks identified following this exercise. Due to the time constraints and the rapidly changing risk environment, the risks identified in this process were simply quantified in terms of High, Medium or Low. Each risk was scored before identified mitigations and then scored again following the analysis of the impact the mitigations were considered to have on the risk. These initial scores are shown in Appendix 2 in a colour coded format.

## **Consolidation of the Corporate Risk Registers**

13. In considering and reviewing the corporate risks included on both of the above registers it became clear that many of the existing corporate risks needed to be re-focused due to the continuing response to the pandemic and also as a result of any work towards the recovery phase. Initially an update was considered but, following further discussion with the Chief Executive and other Corporate Directors, it was agreed that the Corporate Risk Register would be the subject of a fundamental review with the intention of incorporating the risks identified in the COVID-19 Corporate Risk Register to create a new set of risks relevant to the current position with the pandemic and how services continue to respond.
14. The process to create this new risk register is underway and the outcome of this will be reported to the next meeting of this committee.

## **Service development**

15. 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.

16. Work is now underway 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.
17. As part of the role of the Risk Management 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 the consideration of any necessary action.
18. In addition to the above, the Risk Management Team undertakes an annual sense check of the Corporate Risk Register. This was undertaken in January and involved reviewing the risk registers of similar sized authorities or of a similar type and comparing both the risks and levels of risk against the council's Corporate Risk Register. The outcome of this exercise will be fed into the comprehensive review of the risk currently underway.
19. The Risk and Insurance Team is currently working remotely having moved to electronic file management in January 2020.

#### **Summary of financial implications**

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

#### **Summary of legal Implications**

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

#### **Summary of human resource implications**

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

#### **Summary of sustainability impact**

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

#### **Summary of public health implications**

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

#### **Equalities**

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

#### **Summary of Risk Assessment**

26. The risk management implications are set out within the content of this report.

#### **Background Papers**

Risk Management – Corporate Risk Register Update Report to the Audit and Governance Committee on 23 January 2020.

#### **Appendices**

Appendix 1 - Corporate Risk Register Update  
Appendix 2 – COVID-19 Corporate Risk Register



## BCP Council

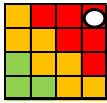
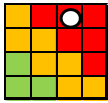
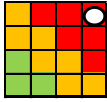
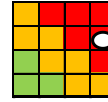
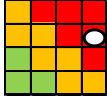
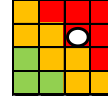
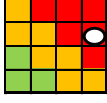
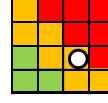
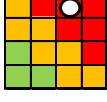
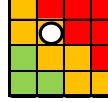
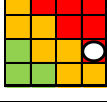
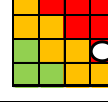
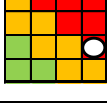
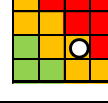
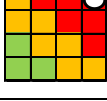
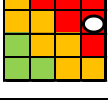
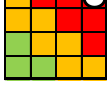
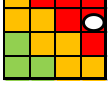
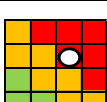
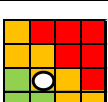
## Audit and Governance Committee - 30 July 2020

## Corporate Risk Register Update

## 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 the scoring of the risks.

THREATS					
Likelihood	Almost Certain (4)  >90%	4	8	12	16
	Likely (3)  60 – 90%	3	6	9	12
	Could Happen (2)  20 – 60%	2	4	6	8
	Unlikely /Rarely (1)  0 – 20%	1	2	3	4
		Low (1)	Medium (2)	High (3)	Extreme (4)
	Impacts				

Risk ref	Risk description	Gross risk score	Risk Owner	Net risk score
CR1	Failure to respond to the needs arising from a changing demography		Chief Executive	
CR2	Failure to deliver effective safeguarding arrangements for children and adults, and improved outcomes for children		Chief Executive	
CR3	Failure to ensure adequate Information Governance		Corporate Director of Resources	
CR4	Failure to provide adequate IT and cyber security		Corporate Director of Resources	
CR5	Failure to plan effectively for Brexit		Chief Executive	
CR6	Failure to adequately respond to an incident involving the activation of the emergency plan		Corporate Director of Resources	
CR7	Failure to provide adequate services as a result of an incident requiring a business continuity response		Corporate Director of Resources	
CR9	Failure to maintain a safe and balanced budget for the delivery of services		Director of Finance	
CR10	Failure to deliver effective health and safety to protect staff, councillors and the public		Corporate Director of Environment and Community	
CR11	Extent to which councillors and officers are able to fully engage with new roles and operate efficiently		Chief Executive	

## BCP Council

## COVID-19 Corporate Risk Register

Risk ref	Risk description	Gross risk score	Risk Owner	Net risk score
CV1	Leadership		Chief Executive	
CV2	Colleagues		Chief Executive	
CV3	Customer		Corporate Director of Resources	
CV4	Financial		Chief Executive	
CV5	Legal		Chief Executive	
CV6	Communication		Corporate Incident Management Team	
CV7	Contractual		Corporate Director of Resources	
CV8	Property & Assets, Transformation		Corporate Director of Resources	
CV9	Property Assets		Corporate Director of Resources	
CV10	New or Extension of Services		Chief Executive	
CV11	Multi Agency risk		Chief Executive	
CV12	Wider Community Role		Chief Executive	

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## AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Establishment of Constitution Review Working Group</b>
Meeting date	30 July 2020
Status	Public Report
Executive summary	<p>The Audit and Governance Committee is responsible for maintaining an overview of the Council's Constitution and governance arrangements.</p> <p>The use of a Working Group for the recent review proved to be effective and the committee is therefore asked to consider the establishment of a permanent Working Group to undertake these responsibilities, recommending changes as appropriate.</p>
Recommendations	<p><b>It is RECOMMENDED that:</b></p> <p><b>a Constitution Review Working Group be established comprising five councillors drawn from the whole council made up of two councillors from the Conservative Group, one unaligned councillor and two from the remaining political groups.</b></p>
Reason for recommendations	The establishment of a Constitution Review Working Group will provide an agile and efficient mechanism to consider changes to the Constitution.

Portfolio Holder(s):	Councillor Vikki Slade (Leader of the Council)
Corporate Director	Julian Osgathorpe (Corporate Director for Resources)
Report Authors	Richard Jones (Head of Democratic Services)
Wards	Council-wide
Classification	For Decision

## Background

1. The Committee's Terms of Reference, as contained in the Council's Constitution, includes responsibility for maintaining an overview of the Council's Constitution in respect of financial regulations, working protocols and codes of conduct and behaviour (not otherwise reserved to the Standards Committee.
2. In undertaking the latest review of the Constitution, the Committee established a time-limited Working Group to make a series of recommendations for the Committee to consider before recommending changes to full Council.
3. The Working Group proved to be effective with sufficient agility to respond quickly to suggestions for change.

## Working Group Arrangements

4. It is proposed that the Committee establish a permanent Working Group comprised of five Councillors made up of two Councillors from the Conservative Group, one unaligned councillor and two from the remaining political groups. Members of the Working Group should not be restricted to the Audit and Governance Committee. This will provide greater flexibility and input from the wider council membership.
5. The Working Group will meet as required to consider changes to the Constitution, consulting where necessary with internal stakeholders including the wider council membership and recommending changes to the Audit and Governance Committee to consider.

## Options Appraisal

6. The Audit and Governance Committee has responsibility for maintaining an overview of the constitution and to make recommendations to full council. The Committee as a whole could perform the whole process. This will be time-consuming for the committee to consider the necessary detail and is likely to delay the implementation of changes.
7. The establishment of a Working Group will provide greater agility, will be capable of meeting more rapidly as required for important issues, and yet maintain transparency through the presentation of recommendations to the full committee.

## Summary of financial implications

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

**Summary of legal implications**

9. The Council is required to maintain a Constitution which complies with legislation, statutory guidance and case law.

**Summary of human resources implications**

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

**Summary of sustainability impact**

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

**Summary of public health implications**

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

**Summary of equality implications**

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

**Summary of risk assessment**

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

**Background papers**

None

**Appendices**

There are no appendices to this report.

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## AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Use of Regulation of Investigatory Powers Annual Report (including Report to the Office of Surveillance Commissioner) 2019/20</b>
Meeting date	30 July 2020
Status	Public Report
Executive summary	The Council has not made use of RIPA powers during the 2019/20 financial year.
Recommendations	<p><b>It is RECOMMENDED that:</b></p> <p><b>Audit &amp; Governance Committee note that the Council has not made use of powers under the Regulation of Investigatory Powers Act during the 2019/20 financial year.</b></p>
Reason for recommendations	To ensure transparency in respect of the Council's use of its powers under the Regulation of Investigatory Powers Act.
Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe, Corporate Director of Resources
Report Authors	<p>Anne Brown Monitoring Officer, Law &amp; Governance ☎01202 451172 ✉ <a href="mailto:anne.brown@bcpcouncil.gov.uk">anne.brown@bcpcouncil.gov.uk</a></p> <p>Kelly Ansell Director of Communities ☎01202 458226 ✉ <a href="mailto:kelly.ansell@bcpcouncil.gov.uk">kelly.ansell@bcpcouncil.gov.uk</a></p>
Wards	Council-wide
Classification	For Information

## Background

1. The Regulation of Investigatory Powers Act (RIPA) was enacted in 2000 to regulate the manner in which certain public bodies may conduct surveillance and access a person's electronic communications and to ensure that the relevant investigatory powers are used in accordance with human rights. The provisions of the Act include:
  - the interception of communications;
  - the acquisition of communications data (e.g. billing data);
  - intrusive surveillance (on residential premises/in private vehicles);
  - covert surveillance in the course of specific operations;
  - the use of covert human intelligence sources (agents, informants, undercover officers); and
  - access to encrypted data.
2. There are various codes of practice, updated periodically, which broadly cover the specific bullet points above. These help public authorities assess and understand whether, and in what circumstances, it is appropriate to use covert techniques. The codes also provide guidance on what procedures need to be followed in each case and identifies **as a matter of best practice that elected members of an authority should review the authority's use of RIPA at least once a year**. The purpose of this annual report is to set out the level and nature of BCP Councils use of covert surveillance under RIPA.

## Use of RIPA by the Council

3. Overall responsibility for the use of RIPA lies with the most senior council officer, the Chief Executive, who acts as the Senior Responsible Officer. The Monitoring Officer and the Director of Communities\* are the Council's Authorising Officers in respect of RIPA applications and have maintained a register of authorisations applied for. \* in respect of licencing and enforcement.
4. The use of covert surveillance techniques can assist councils in delivering objectives in areas such as crime, anti-social behaviour and licensing. As a result of complying with RIPA, the Council only invokes these powers as a last resort where overt surveillance is not possible.
5. During the 2019/20 financial year, the Council has **not** made use of powers under RIPA and the Council's RIPA Authorising Officers have not approved the use of covert surveillance techniques in any cases.

## Options Appraisal

6. An options appraisal is not applicable for this report.

## Summary of financial implications

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

**Summary of legal implications**

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

**Summary of human resources implications**

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

**Summary of sustainability impact**

10. There are no direct sustainability impact implications from this report.

**Summary of public health implications**

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

**Summary of equality implications**

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

**Summary of risk assessment**

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

**Background papers**

None

**Appendices**

None

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# AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Annual Breaches, Waivers &amp; Exemptions Report 2019/20</b>																							
Meeting date	30 July 2020																							
Status	Public Report																							
Executive summary	<p>This report sets out the breaches, waivers and exemptions of Financial Regulations which have occurred during the 2019/20 financial year and highlights the following:</p> <table border="1"> <thead> <tr> <th></th><th colspan="2">2019/20 BCP Council</th><th colspan="2">2018/19 (legacy Councils)</th></tr> <tr> <th></th><th>Breaches</th><th>Waivers &amp; Exemptions</th><th>Breaches</th><th>Waivers &amp; Exemptions</th></tr> </thead> <tbody> <tr> <td>Total (count)</td><td>8</td><td>66</td><td>4</td><td>93</td></tr> <tr> <td>Total (£ value)</td><td>£171,625</td><td>£13.8M</td><td>£3,083</td><td>£8.5M</td></tr> </tbody> </table> <p>The relatively low number of breaches and lower level of waivers compared to previous years (from legacy Councils) indicate that there was generally a good level of understanding of the Regulations.</p> <p>The Chief Finance Officer, or formally delegated representative, agreed 66 waivers/exemptions totalling £13.8M.</p> <p>Whilst full compliance can never be guaranteed and ‘under-reporting’ is an inherent possibility, arrangements were in place to detect instances of non-compliance.</p> <p>An effective and transparent breaches / waivers / exemptions governance process maximises the chances of the Council achieving value for money and complying with UK law (Public Contract Regulations 2015) when procuring goods, services or works.</p>					2019/20 BCP Council		2018/19 (legacy Councils)			Breaches	Waivers & Exemptions	Breaches	Waivers & Exemptions	Total (count)	8	66	4	93	Total (£ value)	£171,625	£13.8M	£3,083	£8.5M
	2019/20 BCP Council		2018/19 (legacy Councils)																					
	Breaches	Waivers & Exemptions	Breaches	Waivers & Exemptions																				
Total (count)	8	66	4	93																				
Total (£ value)	£171,625	£13.8M	£3,083	£8.5M																				
Recommendations	<p><b>It is RECOMMENDED that:</b></p> <p><b>The Audit &amp; Governance Committee note the breaches, waivers and exemptions of Financial Regulations that occurred during 2019/20.</b></p>																							
Reason for recommendations	To comply with Financial Regulations which require that all breaches, waivers and exemptions are considered annually by the Audit & Governance Committee.																							

Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe, Corporate Director of Resources
Report Authors	Nigel Stannard Head of Audit & Management Assurance ☎01202 451969 / ☎01202 633123 ✉ nigel.stannard@bcpcouncil.gov.uk
Wards	Council-wide
Classification	For Information

## Background

- Financial Regulations set out the procedures and standards for financial management and control, and specifically:
  - the purpose of each section in the relevant Part of the Regulations (why it is important);
  - the standards and controls that must be observed (how the Regulations serve to facilitate the good governance and the proper administration of the Councils financial affairs);
  - the specific roles and responsibilities of Councillors, the Chief Executive, the Chief Financial Officer (CFO) / S151 Officer, the Monitoring Officer and other named Officers in relation to doing so (the accountability framework); and
  - detailed procedure notes and relevant financial thresholds where these apply (what must be done and in what way).
- The Regulations require that all breaches, waivers and exemptions of financial regulations are reported to the CFO / S151 Officer or their delegated officer along with details of any management action to address the issues arising. A combination of Internal Audit and the Strategic Procurement Teams maintained a record of all Breaches, Waivers and Exemptions to enable full, transparent and accurate reporting to Audit & Governance Committee.

## Breaches of Financial Regulations

- During the 2019/20 financial year eight breaches of Financial Regulations were identified, totalling £171,625 (compared to 4 breaches, totalling £3,083 in 2018/19 legacy Councils), and as summarised in the table below:

Breach Ref.	Service	Detail of Breach	Value
Br1	St Edwards School	Failure to obtain 3 quotes for air conditioning work.	£14,974
Br2	Environment	Failure to obtain formal written tenders for material supplies on two occasions.	£126,000 (£88,000 + £38,000)
Br3	Destination & Culture	Failure to obtain formal written tender for delivery of Adult Learning brochure.	£30,000

Br4	Environment	Failure to issue receipts for Hengistbury Head Land Train income for a temporary period. Note value of individual transactions very low.	N/A
Br5	Environment	Failure to bank income promptly and in full for Hengistbury Head. Note low value of income retained (coins for change)	N/A
Br6	Destination & Culture (Seafront Income)	Failure to ensure cash holdings do not exceed insurance limit for Seafront Income.	£500
Br7	Organisational Development	Failure to issue receipts for Blue Badge cash income.	£151
Br8	Destination & Culture (Libraries)	Failure to issue receipts and also failure to ensure separation of duties for cashing up for Library Income. Note value of individual transactions very low).	N/A
		<b>Total</b>	<b>£171,625</b>

4. Further explanations on some of the more significant breaches (by £ value) are outlined below:

➤ Br2, Environment, £126,000

As part of an Internal Audit review the Oracle Financial System was interrogated to identify where expenditure with Material Suppliers was above the £30,000 threshold at which the Financial Regulation and Procurement Rules require formal written tendering to take place. It was found that in two cases (Gibbs & Dandy Ltd £88k, and New Milton Sand & Ballast £38k) the suppliers had been selected on the basis that they were considered, by officers within the service, to be the only practical suppliers due to their location, rather than via a fully compliant tendering process. The officers within the service should have obtained a CFO/Sec151 officer waiver approval.

The Service Director has taken steps to ensure that all officers involved in the procurement of works, goods and services understand the requirements placed upon them by the Council's Financial Regulations & Procurement Rules and by the Public Contract Regulations 2015.

➤ Br3, Destination & Culture, £30,000

As part of an Internal Audit review it was identified that Adult Learning had used Royal Mail for the delivery of the 2019/20 Adult Learning brochure due to problems with the previous supplier. The officers within the service should have obtained a CFO/Sec151 officer waiver approval.

Adult Learning and Procurement Services confirmed they are working together to ensure that future procurement activities associated with the production and distribution of the Adult Learning brochure is undertaken in line with Financial Regulations.

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

### **Waivers and Exemptions of Financial Regulations**

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

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

8. During the period 1 April 2019 to 31 March 2020, a total of 66 requests were approved by the CFO. The contract value of these waivers totalled £13.8M (this is a rounded figure).
9. A summary by classification type of waivers/exemptions approved by the CFO is set out in the table below and more details of each waiver is set out in Appendix 1.

<b>Waiver Type</b>	<b>Total (19/20) BCP</b>	<b>Total (18/19) Legacy Councils</b>
Limited suppliers (did not invite or obtain 3 quotes or tenders)	48	81
Urgency	9	7
Other *	9	5
<b>Total (Count)</b>	<b>66</b>	<b>93</b>
<b>Total (£ value in £M)</b>	<b>£13.8</b>	<b>£8.5</b>

\*examples include payments in advance greater than £10,000 or six months, or not using an available corporate contract or use of framework agreement/specialist list.

10. The lower level of total waivers for BCP Council (66) compared to combined legacy Councils (93) indicate a good level of understanding of the Regulations. It is recognised that there may have been a higher than average level of waivers for legacy Councils (in 18/19) as they prepared for transition to the new organisation in 2019/20.



11. The total value of waivers for BCP Council (£13.8m) has increased compared to legacy Councils (£8.5m). Comparing total waiver values year on year is of limited value because of the differing nature and type of each contract being waived.

12. If a member of this Committee has a question pertaining to any specific waiver in the Appendix, then it may be necessary to answer the question outside of the committee meeting as the Head of Audit & Management Assurance may not have detailed explanations to hand for all 66 records. However, further explanations on some of the more significant waivers (by £ value) are outlined below:

➤ Record 4, waiver reference 146, Provision of building and community based day opportunities, £2,847,867

There are limited providers of this type of service in the area and the majority of clients have been receiving services from current providers for a number of years. Commissioning services from outside the area would result in higher costs and disruption to clients. The intention is to review the arrangements over these three years. A 3 year waiver was requested to allow sufficient time to review the contractual arrangements as well as maintaining consistency of provision to clients across BCP Council.

➤ Record 43, waiver reference W00499, Housing Related Support Single Homeless Pathway, £1,389,358

The Housing Related Support Single Homeless Pathway is made up of six contracts delivering Housing Related Support to help clients to learn and/or maintain life skills including budgeting, menu planning, cooking, guidance on personal hygiene and taking medication. The providers also support clients to access services to help them with substance misuse, alcohol problems and mental health problems and support for clients to access employment, training and education and attend medical appointments. The primary objective is to enable the clients to sustain a tenancy and eventually move on to independent living. Within the second stage of Single Homeless Pathway, the provider also offers transitional support following move on.

The provider is required to submit Quarterly KPI's to evidence outcomes, throughput and utilisation. The services are also monitored annually using the QAF (Quality Assessment Framework).

These are contracts that were transferred to housing services from adult social services, due to the short notice in transfer and future design and development of services, it has not been possible to carry out procurement procedures. The key reason for requesting this Waiver is to enable the contracts to be extended for a period of 24 months to provide sufficient time for Housing to carry out a strategic review with their current contracts and to assess future BCP Council requirements, tender and implement.

The waiver also covers off the fact payments have been paid four weeks in advance since the start of the Supporting People programme.

➤ Record 62, waiver reference 149, Herbert Avenue temporary accommodation, £2,443,399

Planned work to construct new accommodation for temporary housing for the homeless. The units are to be energy efficient and have low running costs and be fully self-contained. Following an open tender process, the tender bid by Talo Build required the use of an Escrow account as a method of making advance payments. Therefore, a waiver of Financial Regulations was required to agree the schedule of advanced payments.

➤ Record 65, exemption reference E00035, Care and Support for Adults with a Learning Disability and/or Autism – Not commissioning care from a framework providers, £2,600,000

This exemption is in place for those individual packages, where a framework supplier, for the Care and Support for Adults with a Learning Disability and/or Autism, cannot be used in the following scenarios:

1. The brokerage Team are unable to source care due to supplier capacity from the framework – This course of action will only be considered when there is a pressing need.
2. Where in exceptional circumstances the specialist nature of the care is not possible to source from the framework suppliers.
3. Where care may be required outside of area not covered by framework suppliers.
4. Where packages of care and support are to be provided by DHUFT as the provider of last resort.

Packages are under constant review and transferred back to framework providers if possible. All off contract providers placements would be individually agreed through the brokerage team.

The Framework for Care and Support for Adults with a Learning Disability and/or Autism value is circa £13m p.a. The value of suppliers covered by this exemption equates between £260,000 and £650,000 p.a., this is estimated at between 2% and 5% of the total framework value for 4 years from April 2019.

### **Options Appraisal**

13. An options appraisal is not applicable for this report.

### **Summary of financial implications**

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

### **Summary of legal implications**

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

### **Summary of human resources implications**

16. There are no direct human resource implications arising from this report.

### **Summary of sustainability impact**

17. There are no direct sustainability impact implications from this report.

**Summary of public health implications**

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

**Summary of equality implications**

19. There are no direct equality implications from this report

**Summary of risk assessment**

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

**Background papers**

None

**Appendices**

Appendix 1 - Waivers & Exemptions of Financial Regulations 2019/20

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## Appendix 1 - Waivers and Exemptions of Financial Regulations 2019/20

<b>Waivers</b>						
<b>Count</b>	<b>Waiver Ref.</b>	<b>Project Title</b>	<b>Supplier</b>	<b>Service Unit</b>	<b>Waiver Type</b>	<b>Waiver Value</b>
1	138	Medical and healthcare equipment for care home	Arjo UK Ltd	Adult Social Care Commissioning	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£54,535
2	139	IMHA and mental health advocacy services	Dorset Mental Health Forum	Adult Social Care Commissioning	Payment in advance	£277,608
3	145	Use of agency staff for Ashmore House	Nurse Plus UK	Adult Social Care Commissioning	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£195,000
4	146	Provision of building and community based day opportunities	Several Current Providers	Adult Social Care Commissioning	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£2,847,867
<b>Adult Social Care Commissioning</b>						<b>£3,375,010</b>
5	W00451	Nursing Beds and Medical & Healthcare Equipment for Figbury Lodge Care Home	Drive DeVilbiss Healthcare Ltd	Adult Social Care Services	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£52,683
6	W00501	Rapid Response Service - Hospital Discharge	Agincare & Enthuse	Adult Social Care Services	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£315,815
<b>Adult Social Care Services</b>						<b>£368,498</b>
7	W00475	Upton Country Park Coffee Contract	Taste Vending Ltd	Destination & Culture	Not Using Corporate Contract	£70,000
8	W00476	Reinterpretation and Reconnecting Project at Russell Cotes Art Gallery and Museum	FarPost	Destination & Culture	Not Openly Advertising (select specialist list used)	£90,000
9	W00493	Electronic Media Supplier	Top Cat Media LTD	Destination & Culture	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£48,000
10	W00481	Scoop Ice Cream of Upton Country Park	Hunts Foodservice Ltd	Destination & Culture	Not Using Corporate Contract	£25,000

## Appendix 1 - Waivers and Exemptions of Financial Regulations 2019/20

<b>Waivers</b>						
Count	Waiver Ref.	Project Title	Supplier	Service Unit	Waiver Type	Waiver Value
11	W00480	Mudford Beach House Café Re-Build and Design	PAD Studio	Destination & Culture	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£44,325
12	W00485	Skills & Learning Brochure Door to Door Delivery	Royal Mail Group PLC	Destination & Culture	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£31,000
13	W00486	Skills & Learning Brochure Print Supplier	Southside Publishing Limited	Destination & Culture	Not Using Corporate Contract	£42,000
14	W00503	Catering Suppliers for Highcliffe Castle Wedding Events	Various	Destination & Culture	Not Openly Advertising (select specialist list used)	£28,000
15	W00457	CCF Shore Road & Shore Road Block 8 - Purbeck Stone Benches & Artwork	J Suttle Transport Ltd	Destination & Culture	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£45,910
<b><u>Destination &amp; Culture</u></b>						<b><u>£424,235</u></b>
16	W00474	Digital Infrastructure - Lansdowne WiFi Ducting and Fibre Termination for Public WiFi	Concept Solutions People Ltd	Development	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£62,264
17	W00453	Full Business Case for Dorset LEP Pipeline Funding	Hardisty Jones Associates	Development	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£14,250
18	W00462	Mallard Road Retail Park - Unit 2	Alser (UK) Ltd	Development	Urgency	£24,172

## Appendix 1 - Waivers and Exemptions of Financial Regulations 2019/20

<b><u>Waivers</u></b>						
<b>Count</b>	<b>Waiver Ref.</b>	<b>Project Title</b>	<b>Supplier</b>	<b>Service Unit</b>	<b>Waiver Type</b>	<b>Waiver Value</b>
19	W00460	PR Contract - St Edwards (Poole)	Darren Northeast PR Ltd & Inspiration Agency	Development	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£23,400
20	W00459	SCI>APPS	LiMETOOLS	Development	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£223,077
21	W00461	Sports Carpets	Status Flooring Limited	Development	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£10,586
22	W00467	Advertising on Council Assets	CP Media	Development	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£26,000
<b><u>Development</u></b>						<b><u>£383,749</u></b>
23	W00450	Bournemouth Beach Management Groyne Building Programme	Suttle Projects Limited	Environment	Urgency	£450,000
24	W00458	PPM Works 2019/2020 - Servicing and Maintenance of Cliff Lifts	Link Fabrication & Machining Ltd	Environment	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£69,654
25	W00466	Yotta Alloy (highway inspection software)	Yotta Limited	Environment	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£22,500
26	W00469	CCTV Security at Creekmoor Park and Ride Site	Rapid Vision Systems	Environment	Urgency	£36,830

## Appendix 1 - Waivers and Exemptions of Financial Regulations 2019/20

<b><u>Waivers</u></b>						
<b>Count</b>	<b>Waiver Ref.</b>	<b>Project Title</b>	<b>Supplier</b>	<b>Service Unit</b>	<b>Waiver Type</b>	<b>Waiver Value</b>
27	W00494	Climate Emergency: Carbon reduction advice, insulation and heating schemes for Bournemouth, Christchurch and Poole	Ridgewater Energy Ltd	Environment	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£24,000
<b><u>Environment</u></b>						<b><u>£602,984</u></b>
28	W00479	Insurance	JLT Speciality Limited	Finance	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£57,680
29	W00471	Engineering Inspection - Geographical Poole	HSB Engineering Inspection	Finance	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£28,200
<b><u>Finance</u></b>						<b><u>£85,880</u></b>
30	141	Twin Sails Hamworthy pin	ESE Engineering	Growth & Infrastructure	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£15,000
31	144	Poole Bridges software support	Industrial Electrical Services (IES) Ltd	Growth & Infrastructure	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£35,000
32	151	Cliff drive remedial works to cliff face	Avon Construction	Growth & Infrastructure	Urgency	£19,992
33	W00484	Strategic Greenbelt Assessment	Land Use Consultants Ltd	Growth & Infrastructure	Urgency	£150,000
<b><u>Growth &amp; Infrastructure</u></b>						<b><u>£219,992</u></b>
34	W00449	Housing Landlord Housing Asset Management Business System	Northgate Public Services	Housing	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£175,000
35	W00463	Demolition of Existing Buildings - Hannah House, 129-131 Princess Road	Direct Demolition UK Ltd	Housing	Urgency	£18,000



## Appendix 1 - Waivers and Exemptions of Financial Regulations 2019/20

<b>Waivers</b>						
<b>Count</b>	<b>Waiver Ref.</b>	<b>Project Title</b>	<b>Supplier</b>	<b>Service Unit</b>	<b>Waiver Type</b>	<b>Waiver Value</b>
36	W00477	Northbourne Housing Development - Bricklayer	A P Bowden Building Services Ltd	Housing	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£69,994
37	W00478	Gully and Drainage Cleansing and Maintenance	Rescue Rod	Housing	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£250,000
38	W00483	Purchase of CAT 308 E2CR Digger	RJ and KD McLean Ltd	Housing	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£44,950
39	W00488	Lone Worker Devices - Bournemouth	Oysta Technology Ltd	Housing	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£24,206
40	W00489	Lone Worker Devices - Poole	Rocksure Systems Ltd T/A Peoplesafe	Housing	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£17,917
41	W00490	Passiv Haus Architectural Services for Residential Development at Charminster Road and Luckham Road	SE3 Design Ltd	Housing	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£29,500
42	W00498	Financial Wellbeing	Citizens Advice - Bournemouth, Christchurch and Poole	Housing	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£39,838
43	W00499	Housing Related Support Single Homeless Pathway	BCHA, Pivotal Support, YMCA Bournemouth	Housing	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£1,389,358
<b>Housing</b>						<b>£2,058,763</b>

## Appendix 1 - Waivers and Exemptions of Financial Regulations 2019/20

<b>Waivers</b>						
<b>Count</b>	<b>Waiver Ref.</b>	<b>Project Title</b>	<b>Supplier</b>	<b>Service Unit</b>	<b>Waiver Type</b>	<b>Waiver Value</b>
44	W00452	Catering Contract	Forerunner Personal Catering Ltd	Inclusion & Family Services	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£140,952
45	W00491	Ocean Academy Poole	Hampshire County Council	Inclusion & Family Services	Urgency	£27,000
<b><u>Inclusion &amp; Family Services</u></b>						<b><u>£167,952</u></b>
46	W00455	MS Dynamics Migration	IBM Services	IT & IS	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£69,900
47	W00456	Planning Service Software	DEF Software Ltd	IT & IS	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£68,074
48	W00464	SIP Trunk Maintenance and Support	Udata Infrastructure	IT & IS	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£33,170
49	W00465	Support for the Corporate Telephone System	Freedom Communications (U.K.) Limited	IT & IS	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£65,000
50	W00472	IT Service Desk Software	Sunrise Software Ltd	IT & IS	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£26,560
51	W00482	AMS Contract Renewal with IBM supporting MS Dynamics	IBM Global Business Services	IT & IS	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£56,149
52	W00487	Checkpoint Firewalls - WAN Replacement Project	Ultima	IT & IS	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£54,948
53	W00492	CRM Software	Firmstep LTD	IT & IS	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£37,538
54	W00495	Supply of NIMBLE SAN and VMWARE Server	TBC	IT & IS	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£160,000

## Appendix 1 - Waivers and Exemptions of Financial Regulations 2019/20

<b><u>Waivers</u></b>						
<b>Count</b>	<b>Waiver Ref.</b>	<b>Project Title</b>	<b>Supplier</b>	<b>Service Unit</b>	<b>Waiver Type</b>	<b>Waiver Value</b>
55	W00496	Support for Legacy Bournemouth Phone System	Comtek	IT & IS	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£40,659
56	W00497	Supply of Headset for use with Microsoft Teams	Specialist Computer Centre	IT & IS	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£55,000
57	W00500	Microsoft Teams Communication and Telephony System Deployment and Change Management Support	Hable Education Ltd	IT & IS	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£80,000
<b><u>IT &amp; IS</u></b>						<b><u>£746,999</u></b>
58	W00454	Executive Recruitment	Penna PLC	Organisational Development	Urgency	£88,200
59	W00468	Staff Benefits - Leisure and Retail Discounts	iCOM Works Ltd	Organisational Development	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£0
60	W00470	E-Learning Contract	Learning Pool Limited	Organisational Development	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£62,339
<b><u>Organisational Development</u></b>						<b><u>£150,539</u></b>
61	143	Ralph Jessop Court lighting upgrade	Wessex Electricals	Poole Housing Partnership	Urgency	£62,600
62	149	Herbert Avenue temporary accommodation	Talo Build	Poole Housing Partnership	Payment in advance	£2,443,399
63	W00473	Customer Service Training	Energize Learning & Development LTD	Poole Housing Partnership	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£41,300
<b><u>Poole Housing Partnership</u></b>						<b><u>£2,547,299</u></b>

## Appendix 1 - Waivers and Exemptions of Financial Regulations 2019/20

<b><u>Waivers</u></b>						
Count	Waiver Ref.	Project Title	Supplier	Service Unit	Waiver Type	Waiver Value
<b><u>Waivers Total</u></b>						<b>£11,131,901</b>

<b><u>Exemptions</u></b>						
Count	Exemption Ref.	Project Title	Supplier	Service Unit	Exemption Type	Exemption Value
64	E00032	Insurance - Bournemouth Air Festival	Determined by Council's insurance broker for each event	Finance - Legal & Democratic	Limited suppliers (did not invite or obtain 3 quotes or tenders)	£25,000
65	E00035	Framework for Care and Support for Adults with a Learning Disability and/or Autism - Commissioning of Framework Providers	Determined by ASC brokerage team for each care package	Adult Social Care	Not Openly Advertising (select specialist list used)	£2,600,000
66	Ex25	Framework Access Agreements including Crown Commercial Services, Laser and Scape.	Framework Access Agreements	Finance	To enter into a contract that has a provision to automatically renew	£0
<b>Exemptions Total</b>						<b>£2,625,000</b>
Waivers Total Value						£11,131,901
Exemptions Total Value						£2,625,000
<b>Grand Total</b>						<b>£13,756,901</b>

## AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Internal Audit - Quarterly Audit Plan Update (to include Audit Charter &amp; Audit Plan for 2020/21)</b>
Meeting date	30 July 2020
Status	Public Report
Executive summary	<p>This report sets out the Internal Audit Charter and Audit Plan for 2020/21. Approval of these documents by the Audit and Governance Committee is a requirement of the Public Sector Internal Audit Standards (PSIAS).</p> <p>The report also details progress made on delivery of the 2020/21 Audit Plan for the period April to June (inclusive) 2020. The report highlights that:</p> <ul style="list-style-type: none"> <li>• One audit assignment has been completed ('Reasonable' audit opinion);</li> <li>• Eleven audit assignments are in progress;</li> <li>• Implementation of audit recommendations is satisfactory.</li> </ul> <p>Significant un-planned time has been spent on COVID 19 NDR Grant verification and fraud prevention work during the first quarter.</p>
Recommendations	<p><b>It is RECOMMENDED that:</b></p> <p><b>Audit &amp; Governance Committee are asked to:</b></p> <ul style="list-style-type: none"> <li>• <b>approve the Internal Audit Charter and agree the Chair signs the document to record this approval (this may be a virtual sign off using email);</b></li> <li>• <b>approve the Internal Audit Plan 2020/21.</b></li> </ul> <p><b>Audit &amp; Governance Committee are also asked to:</b></p> <ul style="list-style-type: none"> <li>• <b>note the budget for the Internal Audit service which has been previously approved by Council;</b></li> <li>• <b>note progress made and issues arising on the delivery of the 2020/21 Internal Audit Plan.</b></li> </ul>
Reason for recommendations	<p>To comply with Public Sector Internal Audit Standards</p> <p>To communicate progress on the delivery of the 2020/21 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 of Resources

Report Authors	Nigel Stannard Head of Audit & Management Assurance ☎01202 451969 / ☎01202 633123 ✉ <a href="mailto:nigel.stannard@bcpcouncil.gov.uk">nigel.stannard@bcpcouncil.gov.uk</a>
Wards	Council-wide
Classification	For Decision and Information

## Background

1. The Public Sector Internal Audit Standards (PSIAS) provide a consistent framework for Internal Audit Services operating across public sector. The Public Sector Internal Audit Standards require Internal Audit to:
  - periodically review its Charter;
  - produce a risk based Audit Plan; and to
  - obtain approval for the Internal Audit service budget.
2. To comply with the PSIAS, the Audit & Governance Committee should approve the Internal Audit Charter and Audit Plan annually (in this case for 2020-21), and also note the Internal Audit service budget (as previously approved by Council).
3. This report also details Internal Audit's progress against the 2020/21 Audit Plan for the period April 2020 to June 2020 inclusive, and reports the audit opinion of the assignments completed during this period.
4. The report also provides an update on any significant issues arising and implementation of internal audit recommendations by management.

## Internal Audit Charter 2020/21

5. The Internal Audit Charter (Appendix A) describes the purpose, authority, responsibilities and scope of the Council's Internal Audit Section.
6. An annual review has been undertaken of the Charter as required by the PSIAS.
7. A formal documented escalation process for non-implementation of audit recommendations has been added to the Charter (Appendix B). Some other minor changes have been made including updating Audit & Governance Committee responsibilities in line with their new Terms of Reference, updating service and officer titles, and some minor changes to audit processes.
8. The Audit & Governance Committee are asked to approve the amended Charter.

## Internal Audit Plan 2020/21

9. The draft 2020/21 Internal Audit Plan (high level allocation of resource and delivery approach) was previously presented to the Audit & Governance Committee on the 23<sup>rd</sup> January 2020. This was due to be finalised and approved at the April 2020 meeting however this meeting was cancelled due to the COVID 19 impact on the Council.
10. There has been significant impact on commencement of 2020/21 Internal Audit Plan due to requested corporate support on the delivery of COVID 19 NDR Grants during April and May 2020 in particular.

11. The Internal Audit team spent approximately 275 days in total on this unplanned activity (see details in 'Significant Issues Arising/ Other Work' section) and therefore amendment is required to the draft audit plan to ensure it is achievable. Suggested changes to the plan, whilst ensuring that an adequate audit opinion on the internal control environment can be delivered at the end of the year, are outlined below:

AUDIT ACTIVITY	2020/21 PLAN DAYS DRAFT	2020/21 PLAN DAYS REVISED	Difference (Days)	Comments
<b>CORE AUDIT &amp; ASSURANCE WORK</b>				
KEY ASSURANCE FUNCTIONS	200	200	-	
HIGH LEVEL RISKS	700	635	-65	Less resource available
COUNTER FRAUD RISKS	160	150	-10	Minor reduction
KEY FINANCIAL SYSTEMS	235	195	-40	Systems unchanged
SCHOOLS	60	60	-	
ADVICE & FOLLOW UP & C/FWD	260	260	-20	Revised year estimate
<b>TOTAL</b>	<b>1615</b>	<b>1480</b>	<b>-135</b>	
<b>OTHER AUDIT WORK</b>				
INVESTIGATIONS	120	100	-20	Revised year estimate
CONTINGENCY AUDITS	75	65	-10	Revised year estimate
FINANCIAL REGULATIONS COMPLIANCE	20	20	-	
COVID 19 GRANT VERIFICATION	-	275	+275	Unplanned activity
<b>TOTAL</b>	<b>215</b>	<b>460</b>	<b>+245</b>	
<b>CORPORATE ASSURANCE WORK</b>				
CORPORATE FRAUD	125	115	-10	Revised year estimate
FREE EARLY EDUCATION FUNDING AUDITS	70	70	-	
<b>TOTAL</b>	<b>195</b>	<b>185</b>	<b>-10</b>	
<b>VFM/BCP WORK</b>				
VFM/EFFICIENCY/MTFP	30	15	-15	Reduced activity
BCP IMPLEMENTATION	30	25	-5	Revised year estimate
<b>TOTAL</b>	<b>60</b>	<b>40</b>	<b>-20</b>	
<b>GOVERNANCE WORK</b>				
CORPORATE MANAGEMENT & LIAISON	25	20	-5	Revised year estimate
MEMBER LIAISON	60	50	-10	No April 20 Committee
AGS (Annual Governance Statement)	75	75	-	
<b>TOTAL</b>	<b>160</b>	<b>145</b>	<b>-15</b>	
<b>SERVICE MANAGEMENT WORK</b>				
MANAGEMENT/MEETINGS/SERVICE MAINT	240	225	-15	
AUDIT DEVELOPMENT	80	75	-5	Revised year estimates
AUDIT PLANNING	60	57	-3	due to COVID 19 work
PERFORMANCE MANAGEMENT	60	57	-3	in April 20
<b>TOTAL</b>	<b>440</b>	<b>414</b>	<b>-26</b>	
<b>NON PRODUCTIVE TIME</b>				
LEAVE	493	489	-4	Auditor reduced hours
SICK/DOWNTIME	80	55	-25	Revised year estimate
TRAINING & CPD	170	130	-40	Revised year estimate
VACANCY CONTINGENCY	50	25	-25	Revised year estimate
<b>TOTAL</b>	<b>793</b>	<b>699</b>	<b>-94</b>	
<b>TOTAL DAYS</b>	<b>3478</b>	<b>3423</b>	<b>-55</b>	Auditor reduced hours and IT contractor

12. The 'Core Audit & Assurance Work' (1,480 days) is detailed further at Appendix B and shows all planned work across each individual Service Area.
13. Consultation has been carried out with Corporate and Service Directors and External Audit. The Director of Finance has approved the final plan.
14. The proposed work in the 2020/21 Audit Plan has been designed to enable the Head of Internal Audit to provide an annual opinion on the adequacy and effectiveness of the Council's control environment.
15. Monitoring of the Audit Plan completion will be brought to this committee on a quarterly basis (Quarter 1 reporting is included in this report below).
16. There will continue to be unprecedented change during 2020/21 from the impact of COVID 19 and as new BCP services transform, therefore the Audit Plan will need to be very flexible and may require further amendment during the year.
17. Audit & Governance Committee are asked to agree the proposed 2020/21 Audit Plan and acknowledge that should any significant changes be required these will be brought back to future Audit & Governance Committee meetings for agreement.

#### **Delivery of the 2020/21 Internal Audit Plan – Quarter 1 review**

18. One audit assignment has been fully completed in this quarter of 2020/21 (April-June 20) as outlined below.

#### ***2020/21 Audits Completed***

	<b>Service Area</b>	<b>Audit</b>	<b>Assurance Opinion</b>
1	Destination & Culture	Two Riversmeet (Income Collection)	Reasonable

Key:

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

19. There were no 'Partial' or 'Minimal' assurance audit reports issued during the quarter.
20. The status of other audits in progress (April-June 2020) is outlined below:

#### ***2020/21 Audits In Progress***

	<b>Service Area</b>	<b>Audit</b>	<b>Progress</b>
1	Adult Social Care	KAF – Business Continuity	Fieldwork



2	Quality & Commissioning	Mosaic CMS Payments	Fieldwork
3	Finance	Procurement 2019/20/21	Fieldwork
4	Finance	Creditors 2019/20/21	Fieldwork
5	SVPP	Debtors 2019/20/21	Fieldwork
6	All services	Purchase and Credit Card (counter fraud)	Fieldwork
7	All services	Employee Claims (counter fraud)	Fieldwork
8	Environment	Climate Emergency Programme	Fieldwork
9	Development	Smart Places	Scoping
10	Destination & Culture	Donations	Scoping
11	Quality & Commissioning	Mosaic Payments	Scoping

### **Significant Issues Arising and Other Work**

21. COVID 19 NDR Grant verification work - a total of 2,626 individual business claims have been verified by Internal Audit through data matching and analysis of provided business bank statements. These claims were subsequently paid and totalled £28,510,000 which amounted to just under 40% of all the grants paid by the Council. The review process identified approximately 20 potentially fraudulent claims and 100 cases where incorrect bank details for the business were supplied (either personal accounts or inaccurate details). Consequently, Internal Audit have, conservatively, prevented fraud or error totalling about £1,500,000, although this figure could be as high as £2,500,000. Post assurance work on applications is also being completed using the Government's 'Spotlight' tool (primarily to verify business was trading at a certain stipulated date).
22. COVID 19 Discretionary Grant verification work – Internal Audit are supporting this activity with the verification of bank accounts using the National Fraud Initiative web-based tool.
23. For the avoidance of any doubt, Internal Audit have continued to thoroughly investigate all instances or allegations of fraud, theft or financial wrongdoing during the covid19 period. There has been no reduction in the capability to investigate such instances, the outcome of these investigations will be reported to Audit & Governance Committee in the normal way; either via these Internal Audit quarterly update reports or the annual report covering all such instances.
24. The Head of Audit & Management Assurance has line management responsibilities for the Emergency Planning and Resilience Team. This team has been heavily involved in the Council's, and the multi-agency (Local Resilience Forum (LRF)), response and recovery work in relation to the Covid19 pandemic. A full report from the Emergency Planning Team is on the Forward plan and will be received by this Committee at the next (main) meeting in October 2020.

25. Work is being completed on the compilation of the Council's Annual Governance Statement (AGS) which was agreed by Corporate Management Board in July and will be reported to this committee in October (along with the Council's Statement of Accounts). The Council's Local Code of Corporate Governance has also been reviewed and updated. In the meantime the AGS will be included in the documents available within the Statement of Accounts statutory public inspection which will commence at the start of August 2020.
26. At the previous meeting on 23<sup>rd</sup> January 2020, Audit & Governance Committee were asked to consider and offer an opinion on the potential options for the external assessment of the Internal Audit function as required by the Public Sector Internal Audit Standards. The Head of Internal Audit was asked to further review the preferred option of using CIPFA to carry out the assessment and then bring back details to the April 2020 committee (for final approval). Due to COVID 19 lockdown, associated additional work and budgetary pressures it is proposed to pragmatically postpone this work until later in the year with an aspiration to have an agreed position for 2021/22.

### **Recommendations Implementation**

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

### **Options Appraisal**

28. An options appraisal is not applicable for this report.

### **Summary of financial implications**

29. The BCP Internal Audit Team budgeted cost is £694,700 and which is inclusive of all direct costs including 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 other teams.
30. This allocated budget resource is adequate to deliver the Internal Audit Charter and Plan as described in this report. Audit & Governance Committee are asked to note the budget for the Internal Audit service which has been previously approved by Council.
31. The Internal Audit Team is currently at full establishment. There are no anticipated material projected year end budget variances to report for 2020/21. Only contracted or essential COVID 19 related expenditure will be approved from this budget for the remainder of the financial year in line with the corporate stance.

### **Summary of legal implications**

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

### **Summary of human resources implications**

33. The BCP Internal Audit Team consists of 13.42 FTE.

### **Summary of sustainability impact**

34. There are no direct sustainability impact implications from this report.

**Summary of public health implications**

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

**Summary of equality implications**

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

**Summary of risk assessment**

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

**Background papers**

None

**Appendices**

Appendix A – Internal Audit Charter 2020/21

Appendix B – Core Audit Plan 2020/21

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2020/21 BCP Core Audit Plan																					
Audit		(Lead) Area	Adult Social Care			Children's Services			Regeneration & Economy			Environment & Community			Resources					2019/20	2020/21 Total Days
			Adult Social Care Services	Adult Social Care & Commissioning	Public Health	Children's Social Care	Inclusion & Family Services	Quality & Commissioning	Growth & Infrastructure	Development	Destination & Culture	Environment	Housing	Communities	Finance	SVPP	Organisational Development	Law & Governance	IT & IS		
Key Assurance Functions (core functions)	Asset Management	Development								15			15						20	30	
	Business Continuity	Finance												10				10	10		
	Business Planning & Performance Management	Organisational Development													10			10	10		
	Financial Management (inc MAS)	Finance												30				50	30		
	Health & Safety (incl. Fire Safety)	Communities											10					10	10		
	Human Resources	Organisational Development													10			10	10		
	ICT	IT & IS															10	10	10		
	Information Governance	Law & Governance															20	20	20		
	Procurement (including contracts & P Cards)	Finance												20				20	20		
	Project & Programme Management	Organisational Development														10		10	10		
	Risk Management	Finance												10				10	10		
	Safeguarding	ASC Corporate Director	10																-	10	
	Partnerships	Finance/Law & Governance												20					10	20	
	Total			10	0	0	0	0	0	0	15	0	0	15	10	90	0	30	20	10	190
Key Financial Systems	Council Tax/NDR	Finance\SVPP												20	20				30	40	
	Housing Benefit	Finance\SVPP												5	5				30	10	
	Debtors	Finance\SVPP												5	10				30	15	
	Cashiering Services	Finance\SVPP\Organ Dev												5	5	5			20	15	
	Social Services Financial Assessments	Adult Social Care\SVPP	10												10				20	20	
	Creditors	Finance												30					30	30	
	Payroll	Finance												40					50	40	
	Treasury Management	Finance												10					30	10	
	Housing Rents	Housing											15						15	15	
	Total			10	0	0	0	0	0	0	0	0	15	0	115	50	5	0	0	255	195
High Level Risks	Corporate\Service Risk Register & other risks	-	50	45	20	35	35	35	35	30	35	35	35	30	5	0	10	10	30	585	475
	Key Assurance Function risks	-	10	10	5	10	10	10	10	10	10	10	10	10	10	5	10	10	10	80	160
	Total		60	55	25	45	45	45	45	40	45	45	45	40	15	5	20	20	40	665	635
Schools	Schools	Inclusion & Family					60												75	60	
Counter Fraud	Corporate Work (inc. NFI)	Finance												45						45	
	Crisis Payments	Adult Social Care	5																	5	
	Employee False Claims	All Services	2	2	-	2	2	2	2	2	2	2	2	2	1	2	1	2		30	
	Procurement - P Cards	All Services	2	2	-	2	2	2	2	2	1	2	2	1	1	1	1	1		25	
	Declaration of Interests, Gifts & Hospitality	All Services	1	1	-	1	1	1	1	1	1	1	1	1		1	1	1		15	
	Planning Applications	Growth & Infrastructure							15											15	
	Housing Tenancy (data matching)	Housing											15							15	
	Total			10	5	0	5	5	5	20	5	4	5	20	4	49	2	4	3	4	160
Other	Advice, Follow Ups & Carry Forwards	-	20	15	5	20	20	15	15	15	15	15	15	20	5	10	10	10	270	240	
Total	Total Days 2019/20		116	86	30	76	151	76	71	91	71	71	86	81	370	81	56	46	56	1615	-
	Total Days 2020/21		110	75	30	70	130	65	80	75	64	65	110	69	289	62	69	53	64	-	1480
	Overall Total Days 2020/21		215			265			219			244			537						

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# **INTERNAL AUDIT CHARTER 2020/21**

## Document Control

Policy title	Internal Audit Charter
Policy Owner	Chief Internal Auditor
Policy author	Deputy Chief Internal Auditor
Current Version	2
Effective from date	April 2020
Approval body	Audit & Governance Committee
Approval date	30 July 2020
Review Frequency	Annually
Next review due	March 2021

## Consultees

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

Name	Organisation	Date Consulted
Service Directors	BCP	March 2020
External Auditors	Grant Thornton	16 July 2020
Audit & Governance Committee	BCP	30 July 2020

## Equalities Impact Assessment

Assessment date	11th December 2018 (screening tool - no formal assessment required)
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## Freedom of Information Act Exemption

FOI Exempt	No
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## Revision History

Date	Version	Summary of changes	Section(s) Changed
30/06/2020	2	<ul style="list-style-type: none"> <li>Added appendix of the escalation process.</li> <li>Update to reflect Audit &amp; Governance Committee responsibilities in line with new Terms of Reference.</li> <li>Update to reflect changes to Service and Job title naming.</li> <li>Update to reflect responsibilities in line with updated Financial Regulations.</li> <li>Update to reflect changes to audit processes.</li> <li>Update Accounts &amp; Audit Regulations reference from 2015 to 2020</li> </ul>	Paragraphs – 3.5, 4.4, 5.2, 5.3, 5.4, 5.5, 7.4, 7.5, 8.2, 9.5, 9.8, 9.10, 10.7, 11.6, 12.3, 13.2, 14.2, 14.3, 14.5, 14.7, 14.9, 14.10, 15.1, 16.1.



## Minor Amendments and Editing Log

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

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

Date	Description of amendments or editing	Page
30/06/2020	See version 2 above for details.	As above

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## 1 INTRODUCTION

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

## 2 DEFINITION (Standard 1010)

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

## 3 PURPOSE (Standard 1000)

### Internal Audit Charter

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

### Internal Audit Purpose

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

processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

### **Scope & Objectives of Internal Audit**

3.5 The Internal Audit Service is carried out within the Audit & Management Assurance Section within Finance.

3.6 The scope and objectives of the Internal Audit Service is to:

- Appraise and report on the adequacy of internal controls across the whole organisation as a contribution to the proper, economic, efficient and effective use of resources. This includes:
  - i. the completeness, reliability and integrity of information, both financial and operational,
  - ii. the systems established to ensure compliance with policies, plans, procedures, laws and regulations,
  - iii. the extent to which assets and interests are accounted for and safeguarded from loss,
  - iv. the economy, efficiency and effectiveness with which resources are employed and;
  - v. Whether operations are being carried out as planned and objectives and goals are being met.
- Promote good governance arrangements and monitor progress made against governance actions.
- Support the risk management process within the Council.
- Advise on internal controls, risks or governance arrangements.
- Support where necessary on relevant corporate / service projects or reviews.
- Add value through advice, facilitation and training (subject to there being no impact on core assurance work, the maintenance of independence and the availability of skills and resources).
- Be proactive in countering fraud and corruption.
- Provide a corporate fraud investigation service.
- Support the work of the Audit and Governance Committee.
- Provide assurance over the financial operation of the Council's maintained schools.
- Provide assurance on government funds allocated to nurseries, pre-schools and childminders.
- Provide an Internal Audit service for partnerships as directed by the Council.
- Provide grant certification work as directed by the Council and/or external bodies.

3.7 The detailed work of Internal Audit is set out within the risk based Internal Audit Plan which is designed to support the Chief Internal Auditor's Annual Internal Audit Opinion and Council's Annual Governance Statement (AGS).

3.8 In conducting its work, and if appropriate to do so, Internal Audit may choose to place reliance on the work of other assurance providers (e.g. External Audit, inspection agencies etc), to avoid duplication of effort and to maximise resources.

## 4 AUTHORITY (Standards 1000, 1010)

### Accounts and Audit Regulations (England) 2020

- 4.1 Regulation 5 of the Accounts and Audit Regulations (England) 2020 requires the Council to *“undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, and taking into account public sector internal auditing standards or guidance.”* The Regulations also add that authorities are to *“make available such documents and records and supply such information and explanations as are considered necessary by those conducting the internal audit”*.

### Local Government Act 1972

- 4.2 Internal Audit also assists the Section 151 Officer (Chief Finance Officer) in discharging their delegated responsibilities under Section 151 of the Local Government Act 1972 which requires the Council to;

*“Make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.*

### Financial Regulations

- 4.3 Part E (Internal Control, Audit and Risk Management) of the Council’s Financial Regulations support the authority given by Accounts and Audit Regulations (England) 2020 and the Local Government Act 1972.
- 4.4 Part B Section 12 of the Financial Regulations states that *“The CIA has rights of access to information and data held by officers or Councillors of the Council at all reasonable times and is responsible for the overall co-ordination and deployment of external and internal audit resources at the Council. He/she also has the right to report on any relevant matter of concern to senior management and Councillors of the Council outside normal line management arrangements should he/she deem this necessary in protecting the interests of the Council and/or local tax payers.”*
- 4.5 For clarity, the above authority may extend to partner organisations if required.

## 5 RESPONSIBILITIES (Standard 1000)

### Chief Internal Auditor (CIA)

- 5.1 The CIA is defined by PSIAS as the role of a person in a senior position responsible for effectively managing the Internal Audit Service in accordance with the Internal Audit Charter and the mandatory elements of PSIAS.
- 5.2 The CIA is designated by the Chief Finance Officer (CFO) as part of his/her Service Scheme of Delegation of the Council’s Constitution and plays a key role in providing assurance to Councillors, the CFO, the Head of Paid Service (HPS) and the Statutory Officers Group about the probity, practical deployment and effectiveness of financial management of the Council.

The CIA is responsible for:

- Managing the Internal Audit Service and determining the scope and methods of audit activity.
- Ensuring that Internal Audit staff operate within current auditing and ethical standards of the professional bodies of which Internal Audit are members.
- Ensuring Internal Audit staff have an impartial, unbiased attitude and avoid conflicts of interest.
- Preparing an Internal Audit Charter and annual Internal Audit Plan in consultation with the Audit and Governance Committee for approval.
- Ensuring that the Internal Audit Service is appropriately resourced in terms of numbers, grades, qualification levels and experience to meet its objectives.
- Ensuring a system of audit work supervision is in place.
- Ensuring effective liaison between Internal and External Audit functions.
- Providing an annual opinion on the overall adequacy and effectiveness of the Council's control environment for Councillors' consideration.
- Notifying External Audit of any matter that they would rightly expect to be informed of in order to support the function of an effective and robust external audit service.
- Determining the nature of any investigation work required in respect of any allegation of wrong doing, and/or any other action required.
- Requiring any Councillor or staff of the Council to provide any information or explanation needed in the course of an investigation subject to the lawful limits set out in relevant legislation.
- Referring investigations to the Police in consultation with the CFO and Monitoring Officer (MO); under normal circumstances the relevant service manager would also be consulted.
- Referring cases directly to the Police, in consultation with the CFO and MO, if it is believed an internal enquiry would compromise the integrity of the investigation and /or otherwise prejudice the interests of the Council or the general public.

## **Audit and Governance Committee**

5.3 For the purpose of the PSIAS, the Council's Audit and Governance Committee will act as the 'Board' defined by the standards. Audit & Governance Committee provides independent assurance of the adequacy of the risk management framework and the internal control environment. It provides independent review of BCP Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The Audit and Governance Committee are responsible for the following: (Please see the Audit and Governance Committee Terms of Reference for a full list of responsibilities).

- To approve the Internal Audit Charter.
- To approve the risk-based Internal Audit Plan, including Internal Audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based Internal Audit Plan and resource requirements.
- To consider reports from the Head of Internal Audit on Internal Audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - a) updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.

- b) regular reports on the results of the Quality Assurance Improvement Programme (QAIP)
  - c) reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- To consider the Head of Internal Audit's annual report:
  - a) The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.
  - b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.
- To consider summaries of specific internal audit reports as scheduled in the forward plan for the Committee or otherwise requested by Councillors.
- To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To contribute to the QAIP and in particular to the external quality assessment of internal audit that takes place at least once every 5 years.
- To commission work from the Internal Audit Service with due regard to the resources available and the existing scope and breadth of their respective work programmes and the forward plan for the Committee.
- To consider the arrangements for corporate governance including reviews of the Local Code of Corporate Governance and review and approval of the Annual Governance Statement (AGS).
- To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider arrangements for counter-fraud and corruption, including 'whistle-blowing' including approval of the Counter Theft, Fraud & Corruption Policy and the outcomes of any investigations in relation to this policy.
- To liaise with the national body (currently Public Sector Audit Appointments (Ltd)) (PSAA) over the appointment of the Council's External Auditors.
- To support the independence of External Audit through consideration of the External Auditor's annual assessment of its independence and review of any issues raised by PSAA.
- To consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.

### **Chief Finance Officer, Section 151 Officer (CFO)**

#### **5.4 The CFO (S151) will be responsible for:**

- Advising on effective systems of internal control to ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with statutes, regulations and other relevant statements of best practice.
- Conducting an annual review of the effectiveness of the system of internal control and publishing the results of this within the AGS for inclusion in the Council's Annual Statement of Accounts.
- Maintaining an adequate and effective Internal Audit Service in accordance with the Accounts and Audit Regulations Act 2020 and further to Section 151 of the Local Government Act 1972.

- Ensuring that the rights and powers of Internal and External Auditors and fraud investigators are upheld at all times across the organisation.
- Ensuring that the statutory requirements for External Audit are complied with and that the External Auditor is able to effectively scrutinise the Council's records.
- Ensuring that audit plans and resulting activities are reported to the Audit and Governance Committee.
- Developing, maintaining and implementing an Anti-Fraud and Corruption Policy (and in conjunction with Human Resources a Whistleblowing Policy) that stipulates the arrangements to be followed for preventing, detecting, reporting and investigating suspected fraud and irregularity.
- Advising on the controls required for fraud prevention and detection.
- Appointing a Money Laundering Reporting Officer and Deputy to ensure that systems are in place to counter opportunities for money laundering and that appropriate reports are made.
- Ensuring that effective preventative measures are in place to reduce the opportunity for bribery occurring in accordance with statutory requirements of the Bribery Act.
- Preparing the Council's Risk Management Strategy and its promotion throughout the Council and for advising on the management of strategic, financial and operational risks.

## **Managers and employees**

### **5.5 Managers and employees are responsible for:**

- Implementing effective systems of internal control including adequate separation of duties, clear authorisation levels, and appropriate arrangements for supervision and performance monitoring.
- Maintaining sound systems of internal control and implementing agreed Internal and External Audit recommendations within agreed timescales.
- Taking corrective action in respect of any non-compliance by staff with relevant rules, regulations, procedures and codes of conduct.
- Planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness and for achieving their objectives, standards and targets.
- Ensuring that auditors (Internal and External) have access to all documents and records for the purposes of the audit and are afforded all facilities, co-operation and explanation deemed necessary.
- Cooperating in the production of annual audit plans by highlighting any areas of risk that may benefit from audit review.
- Ensuring the proper security and safe custody of all assets under their control.
- Reporting cases of suspected cases of fraud or irregularity to the CIA immediately for investigation and complying with the Council's Whistleblowing Policy.
- Complying with the Council's Anti-Fraud and Corruption Policy.
- Ensuring that there are sound systems of internal control within their respective service areas for fraud prevention and detection.
- Reporting any vulnerabilities or suspicions of money laundering in accordance with guidance issued by the Money Laundering Reporting Officer.
- Maintaining local staff registers of interests, gifts and hospitality within their service areas.

## **6 REPORTING LINES (Standard 1000)**

- 6.1 The CIA reports directly to the CFO (S151). Section 7.5 of this document also applies to the CIA's reporting lines.
- 6.2 The CIA will report to the Audit and Governance Committee on a regular basis.

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

### **Code of Ethics**

- 7.1 All Internal Auditors will conform to the CIA's Code of Ethics. Where members of the Internal Audit Service have attained membership with other professional bodies such as: the Institute of Chartered Accountants in England and Wales (ICAEW) or CIPFA, those officers must also comply with their relevant bodies' ethical requirements. In addition to this, all Internal Auditors will have regard to the "Seven Principles of Public Life", known as the Nolan Principles. ([www.public-standards.gov.uk](http://www.public-standards.gov.uk))
- 7.2 Each member of the Service will receive a copy of the Code of Ethics and sign up to an annual declaration to confirm that they will work in compliance with the Code of Ethics as well as the Council's standards and policies such as the Council's Codes of Conduct. Where potential areas of conflict may arise during the year, the Auditor will also be required to disclose this. It is critical that all Auditors maintain high standards of integrity, independence, objectivity, confidentiality and competence.
- 7.3 Where an Internal Auditor's conduct does not comply with these standards or codes, disciplinary action may be taken, either by the Council or by the individual's professional body.

### **Independence and Objectivity (1100)**

- 7.4 Other functions such as Emergency Planning, Business Resilience, Risk Management and Insurance operate within the Audit & Management Assurance Section and are managed by the CIA. However, Internal Audit engagements of these areas will be overseen by the Deputy Chief Internal Auditor (DCIA).
- 7.5 The CIA (and DCIA when overseeing the areas outlined in 7.4) has direct access and freedom to report in his/her name and without fear or favour to all officers, Senior Management and Councillors (including the Chair of the Audit and Governance Committee) and particularly to those charged with governance.
- 7.6 Internal Auditors must remain independent; therefore, Auditors will be independent of the activities audited to enable staff to perform their duties in a way that allows them to make impartial, objective and effective professional judgements and recommendations. As such, Audit staff will not ordinarily have any operational responsibilities or involvement in system design unless approved by the CIA. Further to this, audit staff will not assess specific operations for which they have had any responsibility within the previous year.
- 7.7 The CIA will report annually to the CFO (S151) and the Audit and Governance Committee that independence and objectivity has been maintained. If this is not the



case, disclosure will be made, this for example may be as a result of resource limitations, conflicts of interest or restricted access to records.

## **8 PROFICIENCY AND DUE PROFESSIONAL CARE (Standard 1200)**

### **Proficiency (1210)**

- 8.1 Each job role within the Internal Audit structure will detail skills and competencies within the approved job description and person specification. In line with Council policy and the PSIAS, each member of the Service will be assessed against these predetermined competencies and annual objectives. Any development and training plans will be regularly reviewed, monitored and agreed with officers. This assessment will also take into account competency changes as needed i.e. to reflect changing technology and legislation.
- 8.2 Auditors maintain a record of their continual professional development in line with their professional body.
- 8.3 The CIA will hold a professional qualification from the Chartered Institute of Internal Auditors, Consultative Committee of Accountancy Bodies or equivalent.

### **Due professional care (1220)**

- 8.4 Internal Auditors must exercise due professional care by considering the:
- Extent of work needed to achieve the engagement's objectives;
  - Relative complexity, materiality or significance of matters under review;
  - Adequacy and effectiveness of governance, risk management and control processes;
  - Probability of significant errors, fraud, or non-compliance; and
  - Cost of assurance in relation to potential benefits.

## **9 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (Standard 1300)**

- 9.1 To enable the CIA to assess the Internal Audit Service's conformance to the PSIAS and to aid in the annual assessment of Internal Audit's efficiency and effectiveness and identify opportunities for improvement, a QAIP has been developed. The QAIP includes both internal and external assessments.
- 9.2 Assessment against the QAIP will form part of the annual assessment of the effectiveness of internal audit (contained within the Annual Auditors Report) which is published to the CFO (S151) and the Audit and Governance Committee.

- 9.3 Where there are instances of non-conformances to the PSIAS this is reported to the CFO (S151) and Audit and Governance Committee. Any significant deviations will be detailed within the AGS.

### **Internal Assessments (1311)**

- 9.4 Annual self-assessments will be carried out on the Internal Audit Service to confirm that it adheres to the PSIAS. The Local Government Application Note will be used to assist the self-assessment. The self-assessment will be included in the Annual Internal Audit Report and will be annually reported to the Audit and Governance Committee.
- 9.5 All Auditors have access to an up to date audit manual (audit process document), the Internal Audit Charter, Council policies, the PSIAS and LGAN as well as other references. In addition, the CIA shares journals, publications and other relevant articles. Where staff are members of bodies such as the CIIA further guidance is available.
- 9.6 Targets and performance indicators are set for individual auditors as well as for the team. These are agreed with the CFO (S151) and the Audit and Governance Committee.
- 9.7 In addition to the QAIP, progress made against the annual Audit Plan and any emerging issues (i.e. fraud risks or governance issues) is reported regularly to the CFO (S151) and the Audit and Governance Committee.
- 9.8 Ongoing assessment of staff is carried out through regular one to one meetings, stakeholder feedback from post audit questionnaires and formally in the annual performance conversation process.

### **External Assessments (1312)**

- 9.9 The PSIAS stipulates that external assessment must be carried out at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.
- 9.10 The arrangement and scope of any such review will be agreed with the Audit and Governance Committee and the Independent Assessor.

## **10 MANAGING THE INTERNAL AUDIT ACTIVITY (Standard 2000)**

- 10.1 Internal Audit adds value to the Council by considering strategies, objectives and risks to offer ways to enhance governance, risk management, control processes and by providing objective assurance on these activities.

### **Planning (2010)**

- 10.2 The CIA develops an annual risk based Internal Audit Plan, which can be updated to reflect changing risks and priorities of the organisation, to enable the production of the annual internal audit opinion.
- 10.3 The plan will consider:

- The need for specialist auditor skills, where they are not available already.
- Contingency time for ad hoc reviews or fraud investigations.
- Sufficient time for audit management including audit planning, development of the annual opinion and attendance at meetings and maintenance of audit policies and procedures (Standard 2040).
- Staff training and development needs.
- Liaison time with other assurance providers to share information (standard 2050), such as the External Auditor.
- Assurances provided by other bodies (as detailed in the Council's Assurance Framework).

10.4 The CIA reports the risk based Internal Audit Plan and resource requirements to the CFO (S151) and the Audit and Governance Committee annually for review and approval.

### **Resource Management (2030)**

10.5 For the Internal Audit Service to fulfil its responsibilities, it must be appropriately staffed in terms of numbers, professional qualifications, skills and experience. Resources must be effectively deployed to achieve the approved risk-based plan. The mix of available knowledge, skills and other competencies will be considered once the risk-based plan is drafted to ensure they are sufficient to deliver the plan.

10.6 It is the responsibility of the CIA to report to the CFO (S151) and the Audit and Governance Committee on any resource concerns that may impact upon the delivery of the annual audit opinion.

10.7 If necessary the CIA will engage additional (specialist) resources.

10.8 Employment of staff will be in compliance with the Council's Human Resources policies. External resources will be procured in line with the Council's Financial Regulations.

### **Policies and Procedures (2040)**

10.9 The CIA will establish and maintain an audit manual which will outline the policies and procedures to guide the Internal Audit Service.

## **11 NATURE OF THE WORK (Standard 2100)**

### **Governance (2110)**

11.1 Internal Audit will assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation.
- Ensuring effective organisational performance management, accountability and improvements to strategic and operational processes to meet the Council's objectives.
- Communicating risk and control information to appropriate areas of the organisation.
- Coordinating the activities of and communicating information among the Audit and Governance Committee, External and Internal Audit and management.

## **Risk Management (2120)**

- 11.2 Internal Audit evaluates the effectiveness and contributes to the improvement of risk management processes.
- 11.3 In accordance with the PSIAS, Internal Audit:
- Evaluates risk exposures relating to the Council's governance, operations and information systems regarding the:
    - Achievement of the organisation's strategic objectives;
    - Reliability and integrity of financial and operational information;
    - Effectiveness and efficiency of operations and programmes;
    - Safeguarding of assets; and
    - Compliance with laws, regulations, policies, procedures and contracts.
  - Addresses risk consistent with the engagement's objectives and are alert to the existence of other significant risks.
  - Incorporates knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.
  - Assists management in establishing or improving risk management processes, but refrain from assuming any management responsibility by actually managing risks.

## **Internal Control (2130)**

- 11.4 Internal Audit assists the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.
- 11.5 Internal Audit evaluates the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:
- Achievement of the organisation's strategic objectives;
  - Reliability and integrity of financial and operational information;
  - Effectiveness and efficiency of operations and programmes;
  - Safeguarding of assets; and
  - Compliance with laws, regulations, policies, procedures and contracts.
- 11.6 Internal auditors will incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes.

## **12 ENGAGEMENT PLANNING (Standard 2200)**

### **Planning Considerations & Engagement Objectives (2201 & 2210)**

- 12.1 Audit work is undertaken using a risk based audit approach, which will consider the probability of significant errors, fraud and non-compliance. A preliminary risk assessment will be prepared for each audit engagement to consider the activity's strategies and objectives, the risks of the activity not meeting its objectives, the effectiveness of governance, risk management and control processes. The engagement objectives will be based on the results of this assessment.

- 12.2 For all audit engagements (including engagements for external parties and consulting engagements) a terms of reference will be prepared, discussed and agreed with relevant managers. The terms of reference should establish the objectives, scope and timing for the audit assignment and its resources and reporting requirements.

### **Engagement Scope & Engagement Resource Allocation (2220 & 2230)**

- 12.3 The scope prepared in the terms of reference will consider the relevant systems, records, personnel and premises.
- 12.4 The scope of any engagements will be sufficient to address the objectives. However, if there are any reservations regarding the scope during an engagement, these will be raised with the client and the CIA (or delegated officer) to determine if the scope needs to be amended.
- 12.5 Engagements will be allocated and carried out by Internal Auditors with the right mix of knowledge and skills to effectively complete the engagement. Auditors will be given sufficient resources to undertake the engagement.

### **Engagement Work Programme (2240)**

- 12.6 Work programmes will be developed based on the engagement's objectives. Work programmes will include the process for identifying, analysing, evaluating and documenting the audit work during the engagement.

## **13 PERFORMING THE ENGAGEMENT (Standard 2300)**

- 13.1 Auditors are required to identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives. This evidence supports their conclusions, professional judgements and recommendations and therefore must be factual and accurate. This data is held in compliance with the Council's retention policies.
- 13.2 Access to the engagement records will be controlled. The Information Governance Team will be consulted on the release of all records to external parties.
- 13.3 Each audit engagement will be overseen by the relevant Audit Manager.

## **14 COMMUNICATING RESULTS (Standard 2400)**

### **Criteria for Communication (2410)**

- 14.1 The results of all engagements are reported, including the objective, scope, all material facts, conclusions, recommendations, action plans, and any limitations and where appropriate contain the Internal Auditor's opinion. Reports will be issued in a timely manner, in accordance with the Terms of Reference, subsequent to the completion of the work programme. Any significant variance in the timeframe for the report being issued will be agreed by the CIA or DCIA.
- 14.2 Where results of engagements are released to external parties a description of the limitations on distribution and use of the results will be included.

- 14.3 The CIA has the overall responsibility for reviewing and approving the final engagement communication. However, Audit Managers are delegated this duty in most instances. Final Reports will be communicated to the correct officers/Councillors to ensure that the results are given due consideration.
- 14.4 Final engagement communication may be in the form of an email where considered appropriate, however, this will be agreed with the CIA or DCIA before issuing.
- 14.5 Table 1 provides the levels of opinion that can be provided for an audit engagement, with a short description:

**Table 1**

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

- 14.6 Table 2 provides a description of the three priority levels given to recommendations, together with an expected timeframe for implementation; the framework for scoring recommendations is contained within the audit manual.

**Table 2**

<b>Priority</b>	<b>Description</b>
<b>High</b>	High priority recommendations have actual / potential critical implications for achievement of the Service's objectives and/or a major effect on service delivery. Agreed actions should be urgently implemented by the Service and the associated risk(s) added to the Service Risk Register. <i>Recommendations will be followed-up by Internal Audit as they fall due.</i>
<b>Medium</b>	Medium priority recommendations have actual / potential significant implications for achievement of the Service's objectives and/or a significant effect on service delivery. Agreed actions should be implemented by the Service within the agreed timescales and formal consideration should be given to adding the associated risk(s) to the Service Risk Register. <i>Recommendations will be followed-up by Internal Audit as part of the next audit review.</i>
<b>Low</b>	Low priority recommendations have actual / potential minor implications for achievement of the Service's objectives and/or a minor effect on service delivery. It rests with the Service implement these actions and advise Internal Audit of the outcome.

- 14.7 Contents of draft reports are discussed with managers to confirm factual accuracy. Significant issues will be brought to the attention of management during the course of engagements to allow for immediate action.
- 14.8 Managers are required to give timely responses to each recommendation, detailing the responsible officer for each action and the target date for completion.
- 14.9 All audit opinions are reported to the Statutory Officers Group and the Audit and Governance Committee. Audit reports with 'Minimal' assurance will be provided in full to the Audit and Governance Committee and 'Partial' assurance audit reports will be provided in a summary format.

#### **Errors or Omissions (2421)**

- 14.10 If final audit reports contain a significant error, the CIA (or delegated officer) will communicate the corrected information to all parties who received the original communication.

#### **Engagement Disclosure of Non-conformance (2431)**

- 14.11 Where a non-conformance to either the Code of Ethics or the PSIAS impacts on a specific audit engagement, then the communication of the results must disclose the:
- Principle or rule with which full conformance was not achieved.
  - Reasons for non-conformance.
  - Impact of non-conformance on the engagement and the results.
- 14.12 Instances of non-conformance will be reported to the Audit and Governance Committee.

#### **Annual Internal Audit Opinion (2450)**

- 14.13 The CIA will prepare an Annual Internal Audit Opinion Report that will be used by the Council to inform the AGS.
- 14.14 The Annual Internal Audit Opinion Report will conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control by giving an overall opinion, summary of the work undertaken to support this opinion (including any reliance place on work by other assurance providers).
- 14.15 The Annual Internal Audit Opinion Report will include a statement on the conformance with the PSIAS and the results of the QAIP.

## **15 MONITORING PROCESS (Standard 2500)**

- 15.1 The CIA will establish a follow-up process to ensure that management actions have been effectively implemented or that Senior Management has accepted the risk of not taking action.
- 15.2 Non-implemented audit recommendations will follow the Internal Audit escalation process. (See Appendix 2)

## **16 COMMUNICATING THE ACCEPTANCE OF RISKS (Standard 2600)**

- 16.1 High and Medium priority accepted risks will be reported to the Statutory Officers Group. (See Appendix 2)
- 16.2 Where the CIA concludes that management have accepted a High or Medium risk that may be deemed unacceptable to the Council or have not implemented a high-risk action, the CIA must discuss this with the Statutory Officers Group. If the matter has still not been resolved, then this must be escalated to the Audit and Governance Committee. (See Appendix 2)
- 16.3 It is not the CIA's responsibility to resolve the risk.

## **17 REVIEW OF THE INTERNAL AUDIT CHARTER**

- 17.1 In accordance with the PSIAS this Charter will be reviewed and updated (annually as a minimum) to meet the Council's changing risks and priorities.

### **Internal Audit Charter proposed by:**

.....	.....
CIA	Date

### **Internal Audit Charter approved by:**

.....	.....
CFO (Section 151 Officer)	Date

.....	.....
Chair of the Audit and Governance Committee	Date



## GLOSSARY & ACRONYMS

**Annual Governance Statement** – The purpose of the annual governance statement is for the Council to report publicly on its arrangements for ensuring that its business is conducted in accordance with the law, regulations and proper practices and that public money is safeguarded and properly accounted for. This includes how the authority has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

**Annual Internal Audit Opinion** - The rating, conclusion, and/or other description of results provided by the Chief Internal Auditor addressing, at a committee level, governance, risk management, and/or control processes of the Council. An overall opinion is the professional judgment of the Chief Internal Auditor based on the results of a number of individual engagements and other activities for a specific time interval.

**Assurance activity** - An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the Council. Examples may include financial, performance, compliance, system security, and due diligence engagements.

**Audit Engagement** - A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

**Chartered Institute of Internal Auditors** - The professional association for internal auditors in the UK and Ireland.

**Code of Ethics** - The Code of Ethics of The Institute of Internal Auditors (IIA) are principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behaviour expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

**CCAB** – Consultative Committee of Accountancy Bodies.

**CFO** – Chief Finance Officer.

**CIA** – Chief Internal Auditor.

**CIIA** – Chartered Institute of Internal Auditors.

**CIPFA** – Chartered Institute of Public Finance and Accountancy.

**CMIIA** – Chartered Member of the Institute of Internal Auditors.

**Consultancy activity** - Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve the Council's governance, risk management, and control processes without the internal auditor assuming management responsibility.

**Control Environment** - The attitude and actions of the board and management regarding the importance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.

- Organizational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

**Controls** - Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.

Management plans, organises, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

**DCIA** – Deputy Chief Internal Auditor.

**Governance** - The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the Council toward the achievement of its objectives.

**HPS** – Head of Paid Service.

**ICAEW** - Institute of Chartered Accountants in England and Wales.

**Internal Audit Charter** - The Internal Audit Charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The Internal Audit Charter establishes the internal audit activity's position within the Council; authorises access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

**LGAN** – Local Government Application Note.

**MO** – Monitoring Officer.

**Public Sector Internal Audit Standards (PSIAS)** - The Public Sector Internal Audit Standards:

- define the nature of internal auditing within the UK public sector.
- set basic principles for carrying out internal audit in the UK public sector.
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

**QAIP** – Quality Assurance and Improvement Programme.

**Risk Assessment** - A preliminary assessment of the risks relevant to the activity under review.

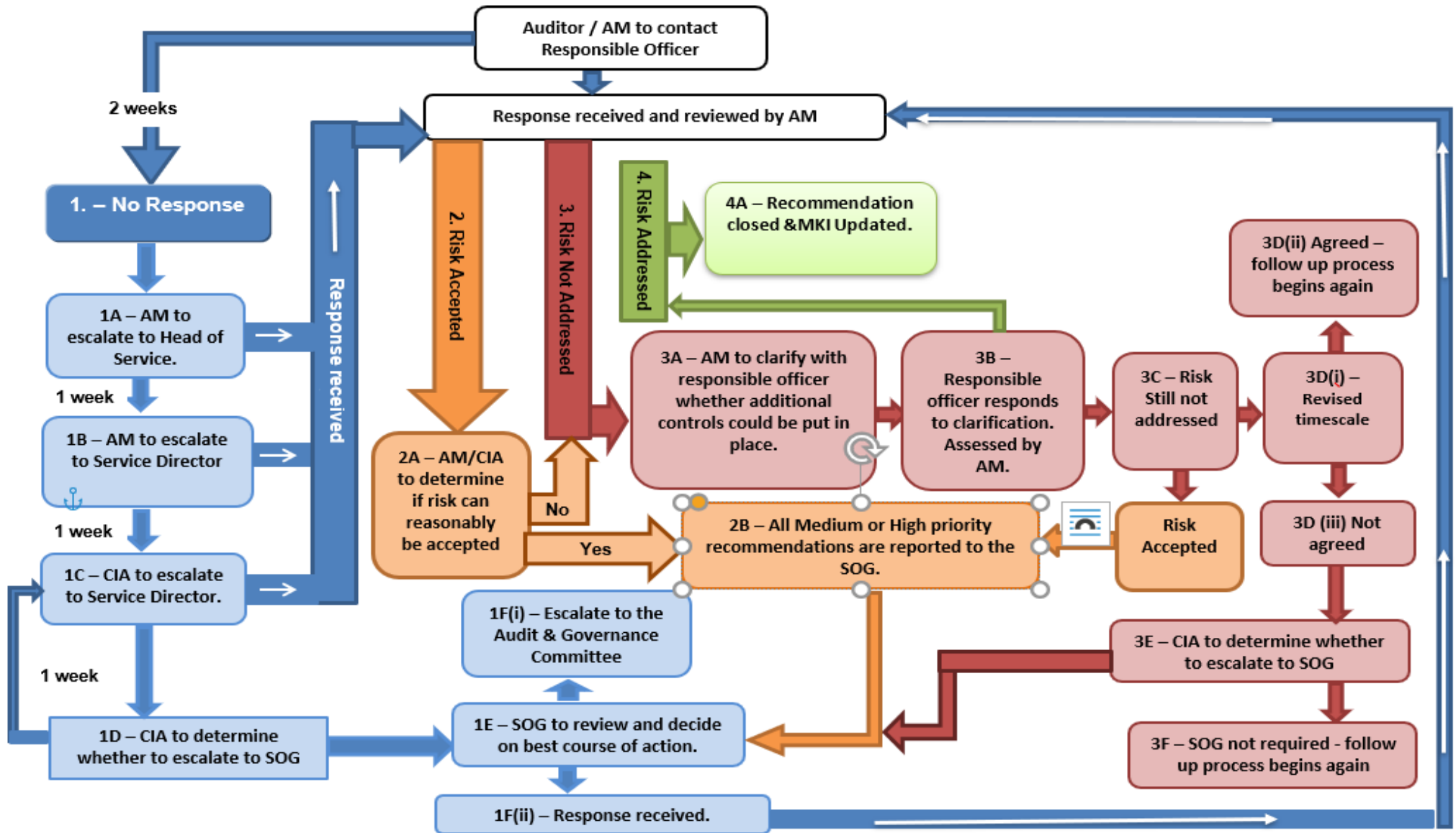
**Risk Management** - A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the Council's objectives.

**Risks** - The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

**S151** – Section 151 Officer.

**Work programme** - The process of collecting, analysing, interpreting, and documenting audit testing during an audit engagement.

# ESCALATION POLICY FOR NON-IMPLEMENTED INTERNAL AUDIT RECOMMENDATIONS



**NOTES:****Risk Addressed:**

Recommendation has been implemented satisfactorily and/or suitable controls have been put in place to mitigate or reduced the risk to an acceptable level.

**Risk Not Addressed:**

Partial/Incorrect implementation of recommendation resulting in risk not being mitigated or reduced to an acceptable level and therefore still represents a threat to the Service Unit not achieving its objectives.

**Risk Accepted:**

The Service Director decides not to implement the recommendation and has accepted a level of risk that may be unacceptable to the organisation.

**GLOSSARY:**

**AM** – Audit Manager

108 **CIA** – Chief Internal Auditor

**SOG** – Statutory Officer's Group

**MKI** – Morgan Kai Insight – Internal Audit Recommendation Tracking System

## AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>External Auditor – Audit Plan 2019/20</b>
Meeting date	30 July 2020
Status	Public Report
Executive summary	<p>The attached report sets out the work that the Council's External Auditor, Grant Thornton, plan to undertake for the audit of the Council's Statement of Accounts in respect of 2019/20.</p> <p>The External Auditor plans to give an opinion on whether the accounts give a true and fair view and whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in their use of resources.</p>
<b>Recommendations</b>	<p><b>It is RECOMMENDED that:</b></p> <p><b>The Audit &amp; Governance Committee notes the Grant Thornton External Audit Plan 2019/20 for the Council.</b></p>
Reason for recommendations	To advise the Audit & Governance Committee of the External Audit annual plan for the Council for the audit of the 2019/20 Statement of Accounts.
Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe, Corporate Director of Resources
Report Authors	<p>Nigel Stannard  Head of Audit &amp; Management Assurance  ☎01202 451969 / ☎01202 633123  ✉ nigel.stannard@bcpcouncil.gov.uk</p>
Wards	Council-wide
Classification	For Information

### Background

1. The External Auditor performs the audit of the financial statements in line with the Code of Practice issued by the National Audit Office (NAO) and International Standards on Auditing (UK).

2. The External Auditor gives an opinion on whether the accounts give a true and fair view and whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

#### **External Auditor – Audit Plan 2019/20**

3. The attached report (Audit Plan) sets out the work that the Council's External Auditor, Grant Thornton, plan to undertake for the audit of the Council's Statement of Accounts, in respect of 2019/20.

#### **Options Appraisal**

4. An options appraisal is not applicable for this report.

#### **Summary of financial implications**

5. The fee for the External Audit programme of work is set out in the attached Appendix.

#### **Summary of legal implications**

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

#### **Summary of human resources implications**

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

#### **Summary of sustainability impact**

8. There are no direct sustainability impact implications from this report

#### **Summary of public health implications**

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

#### **Summary of equality implications**

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

#### **Summary of risk assessment**

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

#### **Background papers**

None

#### **Appendices**

Appendix A - Grant Thornton External Audit Plan Year Ending 31 March 2020



# External Audit Plan

*Year ending 31 March 2020*

Bournemouth Christchurch and Poole Council

~~29~~ June 2020





# Contents



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

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# 1. Introduction & headlines

## Purpose

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

## Respective responsibilities

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

## Scope of our audit

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

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

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

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



## Group Accounts

The Authority is required to prepare group financial statements that consolidate the financial information of the Russell Cotes Art Gallery and Museum Charitable Trust, the Five Parks Charitable Trust and Lower Central Gardens Charitable Trust.

## Significant risks

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

- Management override of controls
- Valuation of land and buildings
- Valuation of net pension fund liability
- Transfer of balances to the new Authority.
- Covid – 19 pandemic

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

## Materiality

We have determined planning materiality to be £11.71 m for the group and £11.7 m for the Authority, which equates to 1.3% of an estimated annual expenditure. However, this figure is likely to change once the final outturn position has been notified. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £585,000.

<b>Value for Money arrangements</b>	<p>Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:</p> <ul style="list-style-type: none"> <li>Financial outturn and sustainability including the implications of Covid 19.</li> </ul>
<b>Audit logistics</b>	<p>Our interim visit took place in February and March and our final visit is planned to take place in August and September. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.</p> <p>Our fee for the audit will be £160,000 for the Authority, subject to the Authority meeting our requirements set out on page 16.</p>
<b>Independence</b>	<p>We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..</p>

## 2. Key matters impacting our audit

### Factors

#### The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For Bournemouth Christchurch and Poole Council, local government reorganisation in Dorset is anticipated to streamline services to residents and deliver efficiencies. In its first year of operation the Authority has set a balanced budget and identified a range of savings and efficiencies to deliver this outcome.

In January 2020 the UK government and the EU ratified the Withdrawal Agreement and the UK's membership of the EU formally ceased on 31 January. The existence of a 'transition period' to 31 December 2020 means that there will be little practical change for the Local Authority until at least 2021.

However, the nature of the future relationship between the UK and the EU is still to be determined and considerable uncertainty persists. The Local Authority will need to ensure that it is prepared for all outcomes, including those with any impact on contracts, on service delivery and on its support for local people and businesses.

The Covid 19 virus will have a significant impact on the Authority, its finances and ability to deliver services.

#### Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

#### Audited accounts deadline

Due to the Covid 19 pandemic, the deadline for the audited accounts has been put back to 30 November 2020. CIPFA's suggested revised and simplified requirements for local authority accounts, were not implemented, so no changes to our planned programme of work was required.

#### Creation of a new Authority

2019/20 is the first year of operation for the Authority, the merger of the systems and activities of the three predecessor authorities as well as the upper tier services, assets and liabilities transferred from the former Dorset County Council creates many challenges. For many processes the new Authority continues to utilise the systems of the former bodies adding to the complexity of both accounts preparation and the audit response required.

#### Preparation for the implementation of IFRS 16 Leases.

IFRS 16 requires a leased asset, previously accounted for as an operating lease off balance sheet, to be recognised as a 'right of use' asset and corresponding liability on the balance sheet from 1 April 2020. There is a requirement, under IAS8, to disclose the expected impact of this change in accounting treatment. The implementation of IFRS 16 has been deferred for one year.

### Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion, including the . Impact of Covid 19 on the Authority's financial position.
- We will consider the impact of Covid 19 on asset valuations and pension liabilities.
- We will consider the impact of Brexit on our reporting responsibilities.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Chief Financial Officer and is subject to PSAA agreement.

We are working with the Council's finance team to determine our approach to undertaking the audit remotely and the impact of restrictions on the audit timetable.

- We identified a significant audit risk for the creation of the new Council and the bringing together of all the activities of the predecessor bodies. We will review and test the opening balances and transfer of assets and liabilities.

# Group audit scope and risk assessment

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

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
<b>Council</b>	Yes		<ul style="list-style-type: none"> <li>See pages 7 to 9</li> </ul>	Full scope UK statutory audit performed by Grant Thornton UK LLP.
<b>The Russell Cotes Art Gallery and Museum Charitable Trust</b>	No		<ul style="list-style-type: none"> <li>Valuation of land and buildings (Annual revaluation)</li> </ul>	Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements.
<b>The Five Parks Charitable Trust</b>	No		<ul style="list-style-type: none"> <li>Valuation of land and buildings (Annual revaluation)</li> </ul>	Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements.
<b>The Lower Gardens Charitable Trust</b>	No		<ul style="list-style-type: none"> <li>Valuation of land and buildings (Annual revaluation)</li> </ul>	Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements.

## Audit scope

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

## 4. Significant risks identified

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

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>ISA240 revenue risk (rebutted)</b>	Authority	<p>Under ISA (UK) 240 there is a rebuttable 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.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including BCP Council, mean that all forms of fraud are seen as unacceptable</li> </ul>	Therefore we do not consider this to be a significant risk for BCP Council
<b>Management over-ride of controls</b>	Authority and group	<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.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	Authority	<p>The Authority revalues its land and buildings on a rolling five-yearly basis. In addition council houses and the top 20 by value assets are revalued annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£643 million in the Authority's opening balance sheet) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation experts used</li> <li>• discuss with and write to the valuers to confirm the basis on which the valuation was carried out</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding and engage our own valuer to assess the instructions to the Authority's valuer, the Authority's valuer's report and the assumptions that underpin the valuation.</li> </ul>
	Group	<p>The subsidiary entities included in the group accounts revalue land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£28 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management have engaged the services of a valuer to estimate the current value as at 31 March 2020.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<ul style="list-style-type: none"> <li>• test revaluations made during the year to see if they had been input correctly into the Authority's asset register: and</li> <li>• evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> <li>• Consider the impact and uncertainty arising from the Covid 19 pandemic on the asset values.</li> </ul>

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# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Pension Fund Liability</b>	Authority	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£745 million in the Authority's opening balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from the auditor of Dorset Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> <li>• Consider the impact of Covid 19 on asset valuations and hence pension liability included in the financial statements.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Opening balances</b>	Authority and group	<p>2019/20 is the first year of operation for the Authority, the merger of the systems and activities of the three predecessor councils as well as the upper tier services, assets and liabilities transferred from the former Dorset County Council creates many challenges.</p> <p>On creation on 1 April 2019, the Authorities opening balances are the closing balances of the predecessor councils and assets and liabilities transferred from the former Dorset County Council.</p> <p>We therefore identified transfer of opening balances to the new Authority as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the opening balances are transferred correctly to the new Authority;</li> <li>• Consider the results of any work undertaken by Internal Audit on the transfer of opening balances; and</li> <li>• Agree the assets and liabilities transferred to agreement with the former Dorset County Council.</li> <li>• Sample testing of opening balance for existence and to land registry documents.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Covid – 19</b>	Authority and group	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> <li>- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation</li> <li>- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates</li> <li>- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and</li> <li>- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.</li> </ul> <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach</li> <li>• Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise</li> <li>• Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic.</li> <li>• Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely</li> <li>• Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances</li> <li>• Evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; and</li> <li>• Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence</li> </ul>

## 6. Other matters

### Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
  - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

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### Other material balances and transactions

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

### Going concern

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

## 7. Materiality

### The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

### Materiality for planning purposes

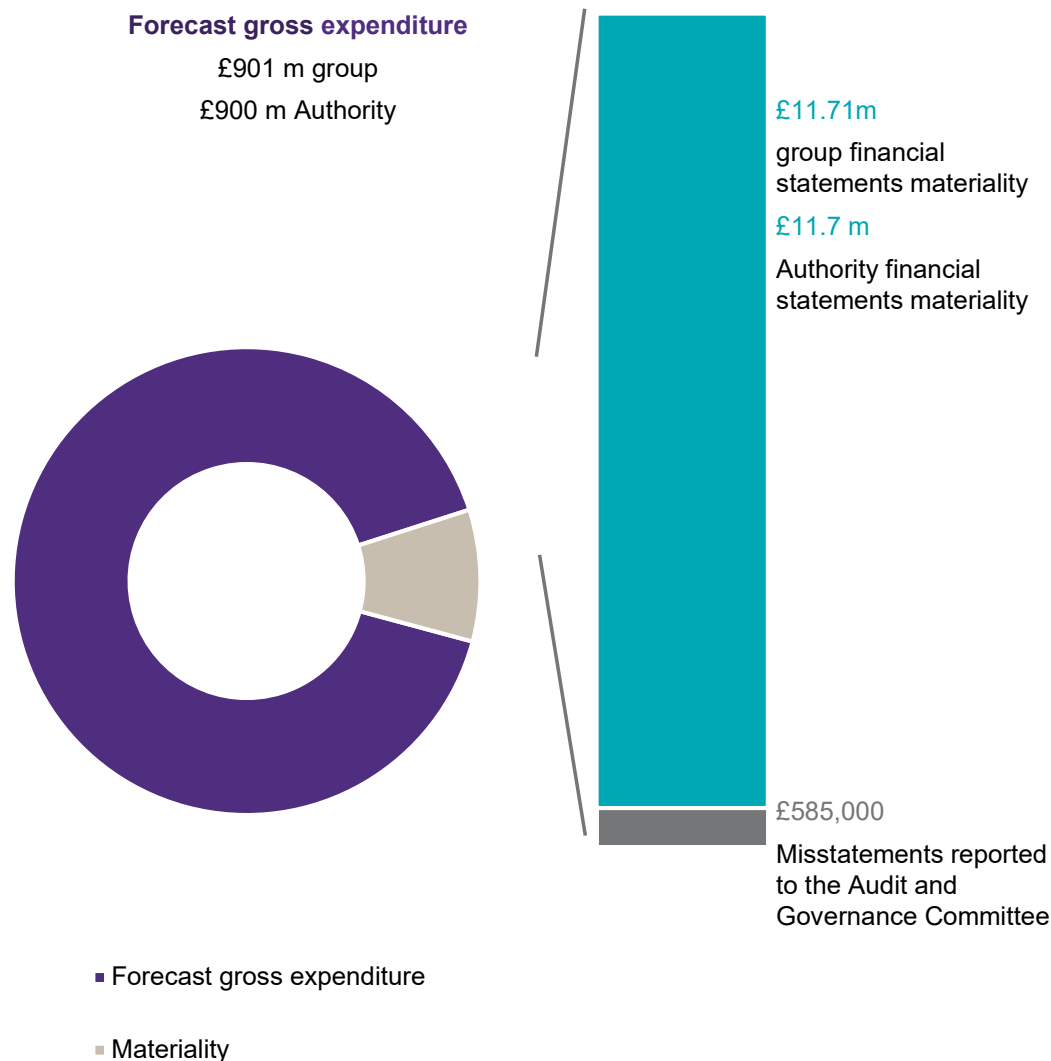
We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Authority for the financial year. Materiality at the planning stage of our audit is £11.71m for the group and £11.7m for the Authority, which equates to 1.3% of your estimated forecast gross expenditure for the year.

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

### Matters we will report to the Audit and Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £585,000.

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



## 8. Value for Money arrangements

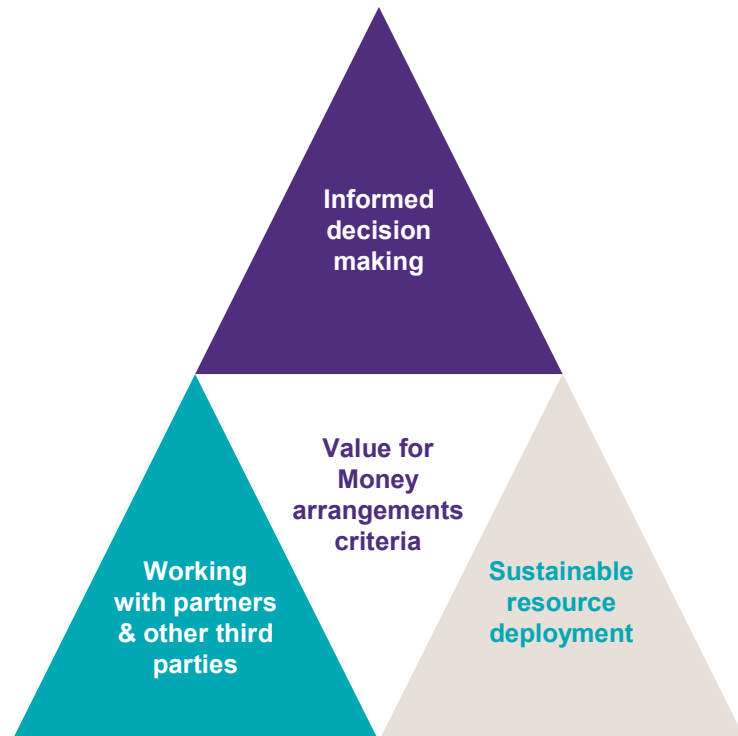
### Background to our VFM approach

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

The guidance identifies one single criterion for auditors to evaluate:

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

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



### Significant VFM risks

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



#### Financial outturn and sustainability

In addition to improving the delivery of services, local government reorganisation in Dorset aims to reduce costs and deliver efficiencies. The predecessor authorities have historically performed well in managing their financial position although reductions in funding and increasing demand for services have made this increasingly challenging.

The new Authority has set a balanced budget for 2019/20 and 2020/21, however budget reporting has identified that savings and efficiencies of £20 million are required over the next two years to deliver the balanced budget.

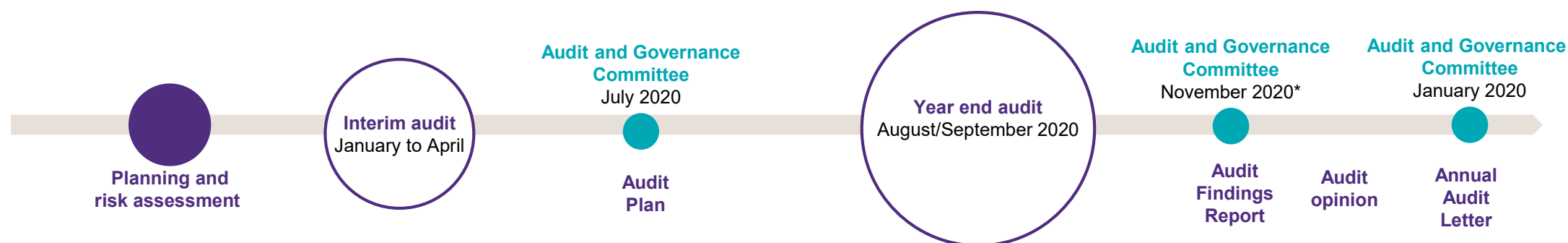
At month 9, the Authority was reported that In summary, the general fund revenue projected outturn for 2019/20 is an overspend of £5.3 million, an increase from quarter 2 of 0.8 million. The Authority is planning to manage this pressure, through the application of financial resilience reserves set aside to support the Authority in its early years of operation.

Particular pressures are identified in childrens and adults social care and in the environment and community directorates. The Covid 19 pandemic is also anticipated to create additional pressure in social care as the NHS moves to free up capacity to meet this challenge.

We will review the Authority's arrangements for delivering its budget including the arrangements for monitoring and reporting delivery of savings plans for 2019/20.

We will consider the Authority's response to the impact of the Covid 19 virus on its finances.

## 9. Audit logistics & team



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### Paul Dossett, Key Audit Partner

Engagement lead for the Council and leads the work performed on the audit. Signs the audit opinion and holds regular meetings with senior managers



### Sam Harding, Audit Manager

Engagement manager responsible for the overall management of the audit; consideration of VFM work, quality assurance of audit work and outputs.

### Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

### Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- from our experience of undertaking audits under the restrictions caused by Covid-19, we are aware that remote working does result in delays in completing audit testing
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.



# 10. Audit fees

## Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, was included in our fee letter presented to Audit and Governance Committee in January and is subject to PSAA agreement.

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	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
<b>Council Audit</b>	£251,554	£215,656	£160,000
<b>Total audit fees (excluding VAT)</b>	<b>£251,544</b>	<b>£215,656</b>	<b>£160,000</b>

The prior year fees consist of the total audit fees for the legacy Authority's combined.

### Assumptions:

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

### Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

# Audit fee variations – Further analysis

## Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred. PSAA have provisionally agreed the fees set out below, however final PSAA approval will not be given until the end of the audit.

Audit area	£	Rationale for fee variation
Scale fee	130,000	
Raising the bar	4,000	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity. For major audits – as outlined earlier in the Plan, we have also reduced the materiality level, reflecting the higher profile of local audit. This will entail increased scoping and sampling
Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	3,500	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
New standards/ developments including the implications of Covid 19	2,500	Reviewing the standards implemented in the prior year including IFRS 9 and IFRS 15 and the impact of Covid 19 identified as a significant risk.
PPE Valuation – work of experts	10,000	We have engaged our own audit expert – Montague Evans and increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations. This also reflects that the Council engages more than one valuer to value its land and buildings assets and reflects the increased level of challenge required to confirm the underlying data and assumptions used in forming the valuations. We estimate that the cost of the auditors expert will be in the region of £5000.
Increased challenge and depth of work including issues relating to opening balances	£10,000	We are anticipating that additional work is required reflecting the first year of the Council. Many transactions are still using the three legacy systems increasing the complexity and work required to document them and to generate samples. Additional work is also required in respect of the IT systems review and obtaining assurance over the opening balances transferred from the former Dorset County Council.
<b>Revised scale fee (to be approved by PSAA)</b>	<b>160,000</b>	

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# 11. Independence & non-audit services

## Auditor independence

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

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

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

## Other services provided by Grant Thornton

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

Service	£	Threats	Safeguards
<b>Audit related:</b>			
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 £17,000 in comparison to the total fee for the audit of £160,00 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Teachers pension certification	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 £160,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing Benefit Subsidy	17,000 plus £675 per diem for additional work required.	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,000 in comparison to the total fee for the audit of £160,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.

# 11. Independence & non-audit services

Service	£	Threats	Safeguards
<b>Non-audit related:</b>			
CFO Insights	10,000	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 £10,000 in comparison to the total fee for the audit of £160,000 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.

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

None of the services provided are subject to contingent fees.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-reports/interim-transparency-report-2019.pdf>

# Appendices

**A.    Audit Quality – national context**

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# Appendix A: Audit Quality – national context

## What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- 13 strengthen the effectiveness of the audit of revenue
- 13 improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

## Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets Authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

## What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

## What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



**AUDIT AND GOVERNANCE COMMITTEE**

Report subject	<b>External Audit - Progress Report &amp; Sector Update</b>
Meeting date	30 July 2020
Status	Public Report
Executive summary	<p>Grant Thornton plan to commence work on the final draft financial statements during August and September and the outcome of the work will be reported in the Audit Findings Report.</p> <p>Grant Thornton aim to give an opinion on the Statement of Accounts by the statutory deadline of November 30th, 2020 along with their Value for Money Conclusion.</p> <p>Grant Thornton have provided a summary of emerging national issues and developments that may be relevant to the Council.</p>
Recommendations	<p><b>It is RECOMMENDED that:</b></p> <p><b>Audit &amp; Governance Committee notes the External Auditor's progress to date in delivering their responsibilities and the sector update provided.</b></p>
Reason for recommendations	<p>To update Audit &amp; Governance Committee on the External Auditor's progress to date in delivering their responsibilities.</p> <p>To advise Audit &amp; Governance Committee of emerging national issues and developments that maybe relevant to the Council.</p>
Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe, Corporate Director of Resources
Report Authors	<p>Nigel Stannard            Head of Audit &amp; Management Assurance            ☎01202 451969 / ☎01202 633123            ✉ nigel.stannard@bcpCouncil.gov.uk</p>
Wards	Council-wide
Classification	For Information

**Background**

1. During 2017, Public Sector Audit Appointments (PSAA) awarded contracts for audit for a five-year period beginning on 1 April 2018. This year (2019/20) is the first year



of that contract for the new BCP Council and Grant Thornton are the appointed External Auditors.

2. Grant Thornton, as the Council's External Auditors, have a responsibility to provide regular updates to those charged with governance (Audit & Governance Committee) on progress made in delivering their responsibilities.

### **External Audit Progress Report**

#### Progress at July 2020

3. The attached report (Appendix A) details progress made by Grant Thornton in delivering their responsibilities as external auditors.
4. Their Audit Plan is being presented separately to this Committee, setting out the proposed approach to the audit of the Council's 2019/20 financial statements.
5. Grant Thornton plan to commence work on the final draft financial statements during August and September and the outcome of the work will be reported in the Audit Findings Report.
6. Grant Thornton aim to give an opinion on the Statement of Accounts by the statutory deadline of November 30th, 2020 along with their Value for Money Conclusion.

#### Sector Update

7. The report also includes a summary of emerging national issues and developments that may be relevant to the Council (as a local authority) which includes:
  - In-depth insight into the impact of Covid-19 on financial reporting in the local government sector– Grant Thornton
  - Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 – National Audit Office
  - Kickstarting Housing – Grant Thornton and Localis
  - Place-Based Growth - 'Unleashing counties' role in levelling up England' – Grant Thornton
  - CIPFA – Financial Scrutiny Practice Guide
  - Future Procurement and Market Supply Options Review – Public Sector Audit Appointments

### **Options Appraisal**

8. An options appraisal is not applicable for this report.

### **Summary of financial implications**

9. The External Auditor's core fee for the audit of the Council's 2019/20 financial statements is £160,000 (as reported to Audit & Governance Committee on 23 January 2020).

### **Summary of legal implications**

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

### **Summary of human resources implications**

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

### **Summary of sustainability impact**

12. There are no sustainability impact implications from this report.

### **Summary of public health implications**

13. There are public health implications from this report.

**Summary of equality implications**

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

**Summary of risk assessment**

15. There are no risk implications from this information report.

**Background papers**

None

**Appendices**

Appendix A – Grant Thornton – Audit Progress Report and Sector Update

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# Audit Progress Report and Sector Update

Bournemouth Christchurch and Poole Council  
Year ending 31 March 2020

July 2020



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# Introduction



**Paul Dossett**

**Engagement Lead**

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This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)



**Sam Harding**

**Engagement Manager**

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

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications

[www.grantthornton.co.uk](http://www.grantthornton.co.uk) ..

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at July 2020

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## Financial Statements Audit

We commenced our initial planning for the 2019/20 audit in December / January 2019, and our interim audit in February / March 2020. We plan to commence work on the final draft financial statements during August and September.

Our Audit Plan is presented to this Committee, setting out our proposed approach to the audit of the Council's 2019/20 financial statements. The presentation of this plan has been delayed due to the impact of Covid-19 on the Council's ability to hold meetings.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by the statutory deadline of November 30<sup>th</sup> 2020.

Refer to page 6 for further detail.

### Covid-19

In addition to the audit risks communicated to those charged with governance in our Audit Plan, the Covid-19 pandemic led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response. Our Audit Plan includes a significant financial statement risk in relation to Covid-19.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body 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 three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach will be included in our Audit Plan. We have added a summary of work to date on page 6.

We will report our work in the Audit Findings Report and aim to give our Value For Money Conclusion by 30<sup>th</sup> November 2020.

The NAO consultation on a new Code of Audit Practice (the "Code") has finished, and the new Code has completed its approval process in Parliament. It therefore came into force on 1 April 2020 for audit years 2020/21 and onwards. The new Code supersedes the Code of Audit Practice 2015, which was published by the National Audit Office (NAO) in April 2015.

The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations. The NAO public consultation is now underway and runs until 2 September 2020. It can be accessed through the NAO website:

<https://www.nao.org.uk/code-audit-practice/agn-03-vfm-consultation/>

# Progress at July 2020 (Cont.)

## Other areas

### Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2019/20 claim is at the planning stage and we expect to complete our work by the original deadline of 30 November. We are in the process of providing samples to the benefits team to commence work on the areas where errors were identified in the prior year legacy councils' transactions in advance of the start date for the certification audit. We have been in consultation with DWP to determine the appropriate approach for certification in this first year of the Council bringing together three legacy systems.

It should be noted that, in response to the impact of the Covid-19 pandemic, the DWP has moved the reporting deadline back to 31 January 2021. We will report our findings to the Audit and Governance Committee in our Certification Letter in January or March 2021.

We also certify the Council's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Ministry of Housing, Communities & Local Government (MHCLG). We have yet to receive from MHCLG guidance for the certification work for the 2019/20 return.

We also certify contributions made on behalf of the Teacher's Pension Scheme. This work is yet to commence.

### Meetings

We have regularly met remotely with Finance Officers and the Chief Executive as part of our usual liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the first year of that contract for the new merged authority. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required. The impact of the complexities inherent in this first year of the new Council will also impact on the time required to complete the audit.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit and Governance Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.



# Audit Update

## Financial Accounts audit progress:

The Council intends to publish draft financial statements on 30 July 2020 and our final accounts audit is planned to commence during August 2020. Some early work has been started and discussions have been ongoing with the finance team.

Main areas of focus of our work over the coming weeks will be valuations of property, plant and equipment and valuation of the pensions liability (IAS19), prior to our main audit work commencing in September.

We will provide the Audit and Governance Committee with a detailed report of audit findings at a later date in anticipation of giving an audit opinion by the statutory deadline of November 30<sup>th</sup> 2020.

## Value for Money Commentary:

### 2019/20

We have held preliminary discussions with management on the medium term financial planning process and how this has factored in Covid-19.

At the onset of the lockdown, finance officers have revisited budgets and undertaken robust scenario planning, considering the impact of the lockdown.

The scenarios were based on different assumed periods of disruption due to lock-down and social distancing measures, based on 16, 24 and 52 week periods, with the 24 week scenario ultimately taken forward for financial planning purposes. An early budget monitoring report, based on the 24 week scenario, was considered by Cabinet in June 2020. The Council have taken a pro-active approach in understanding the financial implications of the pandemic and we consider this to be ahead of some other councils we work with..

The Council's and local economy's income is heavily reliant on tourism activities and has the potential to be significantly affected by changes and restrictions in leisure activities.

Although the lockdown occurred late in the financial year, the impact of Covid-19 in 2019/20 has still been significant. The emergency funding received (£22 million as at June 2020) has all been allocated to the financial year 2020/21 to support the significant additional expenditure and projected loss of income from the major period of the pandemic and recovery. Extra costs due and income lost as a result of the pandemic is estimated at £3.5 million for 2019/20. Net favourable budget movements across other service areas have largely compensated.

The 2019/20 outturn position is a surplus of £0.2 million after the utilisation of £2.4 million budget contingency. This is an improved position from quarter 3 budget monitoring where the use of an additional £2.7 million of financial resilience reserves was planned.

Although directorate budgets have overspent during the year, the improved overall position results in the main from aligning accounting treatments and a review of the balance sheets inherited from the legacy councils.

We will continue to have discussions with management as we address the work required against the significant risks identified in the Audit Plan, and will report our Value for Money conclusion in the audit findings report.

# COVID-19 Update

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## Impact on working arrangements:

- following the government's announcement on Monday 16 March 2020, we closed our Grant Thornton offices for the foreseeable future and your audit team are now working from home
- we will be working remotely during your accounts audit. Although there are some audit tasks which are best undertaken in person, we will be able to complete the majority of the audit remotely. This is however likely to make the audit process longer. We continue to work closely with your finance team to make this different way of working as efficient as possible.
- there may need to be further changes to planned audit timings due to potential illness within the audit team or the finance team and due to the further developments of Covid-19.

## Impact on accounts and audit opinions:

There are a number of key issues which your finance team will have had to consider as part of the year end closedown and accounts production:

- impact on reserves and financial health and whether the Council needs to provide additional disclosures that draw attention to a Material Uncertainty around Going Concern (this could also impact on the VfM conclusion) or asset valuations.
- valuation of Property, Plant & Equipment and assumptions made by valuers, particularly in respect of carrying value to current value assessment.
- impact on collectability of debt and assumptions made in bad debt provisions.
- impact on post-balance sheet events. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed.
- disclosure of impact in the narrative report.
- disclosure of critical judgements and material estimation uncertainties.
- impact on the content of the Annual Governance Statement, particularly with regards to risks, controls and mitigation.
- considerations in respect of service continuity and disaster planning arrangements (this could impact on the VfM conclusion).
- impact on reporting to those charged with governance and signing arrangements.

## Changes to reporting requirements:

- the Secretary of State announced that for the 2019/20 accounting period he would be extending the period for publication of principal authority accounts to 30 August 2020.
- for principal authorities, this means that the whole chain of publication requirements will be amended. The audited financial statements are now to be published by 30 November 2020.
- IFRS 16 implementation has been delayed by 1 year to 1 April 2021. IAS 8 disclosures in respect of new accounting standards which have been issued but are not yet effective are still required for IFRS 16 (Leases) even though implementation is deferred to 2021/22.

# Audit Deliverables

## 2019/20 Deliverables

### Fee Letter

Confirming audit fee for 2019/20.

Planned Date

January 2020

Status

Complete

### Audit Plan

We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements and a Conclusion on the Council's Value for Money arrangements.

July 2020

Complete

### Audit Findings Report

The Audit Findings Report will be reported to the Audit and Governance Committee.

November 2020

Not yet due

### Auditors Report

This is the opinion on your financial statement, annual governance statement and value for money conclusion.

November 2020

Not yet due

### Annual Audit Letter

This letter communicates the key issues arising from our work.

December 2020

Not yet due

# Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with Audit and Governance Committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# In-depth insight into the impact of Covid-19 on financial reporting in the local government sector – Grant Thornton

In June Grant Thornton published a report to help officers and elected members identify points they should consider when assessing and reporting the impact of Covid-19 on their authority. Each authority will be impacted in different ways and will need to make their own assessment of the impact on their financial statements. However, the report identified some of the key challenges for the sector, along with the potential financial reporting and regulatory impact, to support preparers of local authority accounts navigate through some of these key issues. The report also included a number of useful links to other resources.

The report considered:

- Operational challenges and the related financial reporting/regulatory impact
- Government support schemes – considering the accounting implications
- Significant financial reporting issues to consider
- Other sector issues and practicalities to consider
- Impact on audit work/external scrutiny process
- Engagement with experts

We shared the report with your officers and discussed relevant issues with them in a timely manner.

The extraordinary events we are living through follow a decade of austerity, triggered by the financial crisis of 2008/09, which had already placed considerable strain on local authorities' finances. Increased demand for many local public services, directly related to the outbreak of the virus, has placed immediate pressure on authorities' cash flows and expenditure budgets. The longer-term consequences of recession and unemployment on demand for services have yet to be experienced.

At the same time, several important sources of local authority income including Council Tax, Nondomestic (business) rates, fees and charges, rents and investment returns have, to a greater or lesser extent, been subject to reduction or suspension. This perfect storm of conditions presents a real threat to the financial sustainability of the sector. Now, more than ever, strong political and executive leadership is needed to re-establish priorities, review strategies and medium-term financial plans and ensure that public funds are being used as efficiently and effectively as possible. A balance has to be struck between responding to the needs of residents and businesses in a timely manner, protecting the most vulnerable and ensuring appropriate measures and controls around financial management are in place to mitigate against future 'financial shock'. In doing so, iterative scenario planning will help officers and elected members to take informed decisions at key stages, revisiting and revising plans along the way.



The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2020/impact-of-covid19-on-financial-reporting-local-government-sector.pdf>

# Guide for Audit and Risk Committees on Financial Reporting and Management during COVID-19 – National Audit Office

In June the National Audit Office (NAO) published a guide that “aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. It is part of a programme of work undertaken by the NAO to support Parliament in its scrutiny of the UK government’s response to COVID-19.”

The NAO report notes “Audit and risk committees are integral to the scrutiny and challenge process. They advise boards and accounting officers on matters of financial accountability, assurance and governance, and can support organisations, providing expert challenge, helping organisations focus on what is important, and how best to manage risk.

Each organisation will have existing risk management processes in place, but risk appetite may have changed as a result of COVID-19, for the organisation to operate effectively and respond in a timely manner. This may result in a weakening of controls in some areas, increasing the likelihood of other risks occurring. Organisations will need to consider how long this change in risk appetite is sustainable for.”

The NAO comment “This guide aims to help audit and risk committee members discharge their responsibilities in several different areas, and to examine the impacts on their organisations of the COVID-19 outbreak, including on:

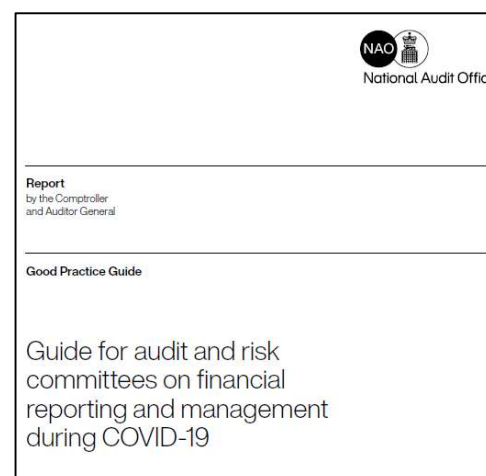
- annual reports;
- financial reporting;
- the control environment; and
- regularity of expenditure.

In each section of the guide we have set out some questions to help audit and risk committee members to understand and challenge activities. Each section can be used on its own, although we would recommend that audit and risk committee members consider the whole guide, as the questions in other sections may be interrelated. Each individual section has the questions at the end, but for ease of use all the questions are included in Appendix One.

The guide may also be used as organisations and audit and risk committees consider reporting in the 2020-21 period.”

The full report can be obtained from the NAO website:

<https://www.nao.org.uk/report/guidance-for-audit-and-risk-committees-on-financial-reporting-and-management-during-covid-19/>



# Kickstarting Housing – Grant Thornton and Localis

In July Grant Thornton Head of Local Government, Paul Dossett, wrote an essay, included as part of a collection in the Localis report – “Building for renewal: kickstarting the C19 housing recovery”.

Paul asked “So how do we address “the housing crisis” in the context of an existential threat to the British economy? Just as importantly, how do we ensure our key workers, our new heroes of the Thursday night applause, are front and centre of such a response. Paul suggested that the housing response needs to move away from the piecemeal towards a comprehensive and strategic response, with five key pillars with the key worker demographic at its heart:

- **Public housebuilding.** This will involve more borrowing, but we need a bold and ambitious target to build at least one million new public sector properties at social rents by 2025. This should involve a comprehensive and deep partnership between Homes England and local authorities and underpinned by a need to minimise the carbon footprint.

- **Private sector housing needs a rocket boost** with massive Government supported investment in modern methods of construction and consideration of required workforce needed to meet capacity. This needs to go hand in hand with a major recruitment drive into all facets of the housing industries. This should include national and local training initiatives to support workers from the service sectors who are very likely to lose their jobs because of the pandemic.

- **Strategic authorities based on existing local government footprints** across the country to remove the inconsistent patchwork quilt of current arrangements so that there is consistency between local, county and national strategic priorities. They should be legally tasked and funded for development of comprehensive infrastructure plans to support housing initiatives in their areas with a strong remit for improving public transport, supporting green energy initiatives and developing public realms which create a sense of community and belonging.

- **Building on existing initiatives to improve security of tenure and quality of accommodation,** a new partnership is needed between landlord and tenants that provides a consistent national/regional footing to ensure that housing is a shared community responsibility. This should, like the response to the pandemic, be part of a shared community narrative based on state, business and local people.

- Putting key workers at the heart of the Housing strategy. The country appears to have discovered the importance of key workers. The people that keep the country running and whose contribution is never usually recognised financially or in terms of social esteem. There are several existing key worker accommodation initiatives, but they are local and piecemeal. We need a comprehensive strategy which focuses on key worker needs, including quality of accommodation, affordable mortgages/ rents, proximity to workplaces and above all , a sense of priority on the housing ladder for those who keep the country running in good times and bad and are the best of us in every sense.

Paul concluded “Housing is a basic need and if key workers feel valued in their place in housing priorities, we will have made a giant step forward.

Key workers are not the only group in need of help of course. Utilising the momentum behind keyworkers that their role in COVID-19 has brought into focus, could help kickstart housing initiatives that help all those in need.”



The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/homes-fit-for-heroes-affordable-housing-for-all/>



# Place-Based Growth - 'Unleashing counties' role in levelling up England' – Grant Thornton

In March Grant Thornton launched a new place-based growth report 'Unleashing counties' role in levelling up England. The report, produced in collaboration with the County Councils Network, provides evidence and insight into place-based growth through the lens of county authority areas. It unpacks the role of county authorities in delivering growth over the past decade through: desk-based research, data analysis and case study consultations with 10 county authorities (Cheshire East, Cornwall, Durham, Essex, Hertfordshire, North Yorkshire, Nottinghamshire, Oxfordshire, Staffordshire, Surrey).

The report reveals:

- Growth, as measured by Gross Added Value (GVA), in county areas has lagged behind the rest of the country by 2.6% over the last five years. GVA in the 36 county areas has grown by 14.1% between 2014 and 2018, compared to 16.7% for the rest of England.
- In total, 25 of these counties have grown at a rate slower than the rest of the country. The research finds no north-south divide, as the county areas experiencing some of the smallest economic growth are Herefordshire (5.3%), Oxfordshire (5.6%) and Cumbria (8.2%), Gloucestershire (9.2%), and Wiltshire (9.7%) – showing that one size fits all policies will not work.
- Some 30 of the 36 county authority areas have workplace productivity levels below the England average. At the same time, counties have witnessed sluggish business growth, with county authorities averaging 7.9% growth over the last five years – almost half of that of the rest of the country's figure of 15.1% over the period 2014 to 2019.

To address these regional disparities in growth and local powers, the report's key recommendations include:

- Rather than a focus on the 'north-side divide', government economic and investment assessments should identify those places where the economic 'gap' is greatest – Either to the national average or between different places – and focus investment decisions on closing that gap and levelling up local economies.

- The devolution white paper must consider how devolution of powers to county authorities could assist in levelling-up the country. This should include devolving significant budgets and powers down to councils, shaped around existing county authorities and local leadership but recognising the additional complexity in two-tier local authority areas and whether structural changes are required.
- Growth boards should be established in every county authority area. As part of this a statutory duty should be placed on county authorities to convene and coordinate key stakeholders (which could include neighbouring authorities). These growth boards should be governed by a national framework which would cover the agreed 'building blocks' for growth – powers, governance, funding and capacity.
- Planning responsibilities should be reviewed with responsibility for strategic planning given to county authorities. In line with the recently published final report of the Building Better, Building Beautiful Commission, the government should consider how county authorities, along with neighbouring unitary authorities within the county boundary, could take a more material role in the strategic and spatial planning process.

- The National Infrastructure Commission should ensure greater consideration of the infrastructure requirements in non-metropolitan areas. Their national infrastructure assessments could consider how better investment in infrastructure outside metropolitan areas could link to wider growth-related matters that would help to level up the economy across the country.

The full report can be obtained from the Grant Thornton website:

<https://www.grantthornton.co.uk/en/insights/unleashing-counties-role-in-levelling-up-england/>

## Place-based growth

Unleashing counties' role in levelling up England

2020





# CIPFA – Financial Scrutiny Practice Guide

Produced by the Centre for Public Scrutiny (CfPS) and CIPFA, this guide provides guidance to councils and councillors in England on how they might best integrate an awareness of council finances into the way that overview and scrutiny works.

The impact of the COVID-19 pandemic on council finances, uncertainty regarding the delayed fair funding review and future operations for social care – on top of a decade of progressively more significant financial constraints – has placed local government in a hugely challenging position.

For the foreseeable future, council budgeting will be even more about the language of priorities and difficult choices than ever before.

This guide suggests ways to move budget and finance scrutiny beyond set-piece scrutiny 'events' in December and quarterly financial performance scorecards being reported to committee. Effective financial scrutiny is one of the few ways that councils can assure themselves that their budget is robust and sustainable, and that it intelligently takes into account the needs of residents.

Scrutiny can provide an independent perspective, drawing directly on the insights of local people, and can challenge assumptions and preconceptions. It can also provide a mechanism to ensure an understanding tough choices that councils are now making.

This paper has been published as the local government sector is seeking to manage the unique set of financial circumstances arising from the COVID-19 pandemic. This has resulted, through the Coronavirus Act 2020 and other legislation, in changes to local authorities' formal duties around financial systems and procedures.

The approaches set out in this guide reflect CfPS and CIPFA's thinking on scrutiny's role on financial matters as things stand, but the preparation for the 2021/22 budget might look different. CfPS has produced a separate guide to assist scrutineers in understanding financial matters during the pandemic



The full report can be obtained from CIPFA's website:

<https://www.cipfa.org/policy-and-guidance/reports/financial-scrutiny-practice-guide>

# Future Procurement and Market Supply Options Review – Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has commissioned an independent review of the sustainability of the local government audit market. The review was undertaken by an independent consultancy, Touchstone Renard.

PSAA note that the report “draws on the views of audit firms active in the local authority market as well as others that are not. In doing so it identifies a number of distinctive challenges in the current local audit market. In particular it highlights the unprecedented scrutiny and significant regulatory pressure on the auditing profession; the challenges of a demanding timetable which expects publication of audited accounts by 31 July each year; and the impact of austerity on local public bodies and its effect on both the complexity of the issues auditors face and the capacity of local finance teams”.

Key findings in the report include:

- A lack of experienced local authority auditors as the main threat to the future sustainability of the market.
- It will be difficult to bring the non-approved firms into the market.
- Of the nine approved firms, only five have current contracts with PSAA.
- Almost all of the approved firms have reservations about remaining in the market.
- Firms perceive that their risks have increased since bids were submitted for the current contracts.
- The timing of local audits is problematic.

Key issues for the next procurement round include:

- Number of lots and lot sizes.
- Lot composition.
- Length of contracts.
- Price:quality ratio.

The report notes that “PSAA will need to balance the views of the firms with wider considerations including the needs of audited bodies and the requirement to appoint an auditor to every individual body opting in to its collective scheme”.



The full report can be obtained from the PSAA website:

<https://www.psaa.co.uk/wp-content/uploads/2020/03/PSAA-Future-Procurement-and-Market-Supply-Options-Review.pdf>



**AUDIT AND GOVERNANCE COMMITTEE**

Report subject	<b>Audit &amp; Governance Committee Forward Plan (refresh)</b>
Meeting date	30 July 2020
Status	Public Report
Executive summary	This report sets out the reports to be received by the Audit & Governance Committee for the 2020/21 municipal year.
<b>Recommendations</b>	<p><b>It is RECOMMENDED that:</b></p> <p><b>The Audit &amp; Governance Committee approves the forward plan set out at Appendix A.</b></p>
Reason for recommendations	To ensure that Audit & Governance Committee are fully informed of the reports to be considered during 2019/20.
Portfolio Holder(s):	Cllr Vikki Slade, Leader of the Council
Corporate Director	Julian Osgathorpe, Corporate Director of Resources
Report Authors	<p>Nigel Stannard</p> <p>Head of Audit &amp; Management Assurance</p> <p>☎01202 451969 / ☎01202 633123</p> <p>✉ nigel.stannard@bpcouncil.gov.uk</p>
Wards	Council-wide
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 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.
4. The Chairman has asked committee members for any topics requiring this Committee's consideration within its terms of reference. These topics are generally shown in the 'Presentations' section of the Forward Plan, Appendix A. This is an on-going arrangement and topics can be added at any time in the year or as they arise. The presentations are made available to the public with the meeting minutes.

#### **Options Appraisal**

5. An options appraisal is not applicable for this report.

#### **Summary of financial implications**

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

#### **Summary of legal implications**

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

#### **Summary of human resources implications**

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

#### **Summary of sustainability impact**

9. There are no direct sustainability impact implications from this report.

#### **Summary of public health implications**

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

#### **Summary of equality implications**

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

#### **Summary of risk assessment**

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

#### **Background papers**

None

#### **Appendices**

Appendix A – Audit & Governance Committee - Forward Plan 2020/21

# APPENDIX A

## Audit & Governance Committee - Forward Plan 2020/21

REPORT	18 JUN 2020 (extra)	30 JUL 2020	10 SEP 2020 (extra)	22 OCT 2020	3 DEC 2020 (extra)	21 JAN 2021	11 MAR 2021 (extra)	22 APR 2021
<b>ANNUAL REPORTS</b>								
Statement of Accounts 2019/20 (*Note delayed due to COVID 19 and the Government's decision to allow more time for the production of the Council's statutory accounts).		*		✓				
Annual Governance Statement 2019/20 and Annual Review of Local Code of Governance (1 update on Action Plan only)		*		✓		✓ <sub>1</sub>		
Chief Internal Auditor's Annual Opinion Report 2019/20		*		✓				
Annual Breaches, Waivers & Exemptions Report 2019/20		✓						
Annual Review of Register of Declarations of Outside Interests & Receipts of Gifts & Hospitality by Officers				✓				
Use of Regulation of Investigatory Powers Annual Report (including Report to the Office of Surveillance Commissioner) 2019/20		✓						
Annual Report of Internal Audit Counter Fraud Work and Whistleblowing Referrals 2019/20				✓				
Local Government and Social Care Ombudsman Annual Report 2019/20				✓				
Equality & Diversity Annual Report 2019/20				✓				
Emergency Planning & Business Continuity Update				✓				
Treasury Management Policy Refresh/Approval for next financial year						✓		
Assurance Framework & Internal Audit Planning Consultation						✓		
Information Governance Update						✓		
Internal Audit Charter & Audit Plan for next financial year								✓
<b>QUARTERLY / HALF YEARLY REPORTS</b>								
Internal Audit - Quarterly Audit Plan Update (2 to include Audit Charter & Audit Plan for 2020/21)		✓ <sub>2</sub>		✓		✓		✓
Risk Management – Corporate Risk Register Update		✓		✓		✓		✓
Forward Plan (refresh)		✓		✓		✓		✓
Treasury Management Monitoring Report		✓						✓
Health & Safety Update				✓				✓
Fire Safety Update				✓				✓
<b>AD HOC / OTHER REPORTS</b>								
Whistleblowing, Counter Fraud and Corruption, and Declaration of Interests, Gifts & Hospitality Policies (x3) - annual evolution for 2021/22.							✓	
Financial Regulations - annual evolution for 2021/22.							✓	
Establishment of Constitution Working Group Review		✓						
Governance of Budget Monitoring		✓						
<b>PRESENTATIONS</b> (rather than formal reports)								
Review of BH Live contractual and governance arrangements		✓						
Review of structure and operation of the Bournemouth Development Company			✓					

Review of organisational and operational structure of BCP Council			✓					
<b>EXTERNAL AUDITS REPORTS</b>								
External Auditor – Audit Plan 2019/20 ( <i>3 Audit Plan 2020/21</i> )		✓						✓ <sub>3</sub>
External Auditor – Audit Findings Report 2019/20				✓				
External Auditor – Annual Audit Letter 2019/20						✓		
External Auditor – Annual Audit Fee 2020/21						✓		
External Auditor – Certification of Claims and Returns 2019/20						✓		
External Auditor – Audit Progress & Sector Update		✓		✓		✓		✓