



DEMOCRATIC AND ELECTORAL SERVICES

Dealt with by:	Democratic Services	Switchboard:	01895 837200
Your Ref:		Fax:	01895 837277
My Ref:		e-mail:	democraticservices@southbucks.gov.uk
Date:	19 March 2014	Direct Line:	01895 837225/837227

Dear Councillor

AUDIT COMMITTEE

The next meeting of the Audit Committee will be held as follows:

DATE: THURSDAY, 27TH MARCH, 2014
TIME: 6.00 PM
VENUE: ROOM 6, CAPSWOOD, OXFORD ROAD, DENHAM

Only apologies for absence received prior to the meeting will be recorded.

Yours faithfully

Jim Burness

Director of Resources

To: The Audit Committee

Mr Hollis
Mr Hardy
Mr Anthony
Mr Bradford
Dr A Dhillon
Mrs Wallis



Declarations of Interest

Any Member attending the meeting is reminded of the requirement to declare if he/she has a personal interest in any item of business, as defined in the Code of Conduct. If that interest is a prejudicial interest as defined in the Code the Member should also withdraw from the meeting.

A G E N D A

	(Pages)
1. Apologies for absence	
2. Minutes	
To confirm the minutes of the meeting held on 5 December 2013.	(1 - 4)
3. Internal Audit Progress Report	
To consider report of TIAA.	(5 - 6)
<i>Appendix</i>	(7 - 24)
4. Internal Audit Strategic and Annual Plan Report 2014/15 to 2018/19	
To consider report of TIAA.	(25 - 26)
<i>Appendix</i>	(27 - 42)
5. Certification of Claims and Returns Annual Report 2012-2013	
To consider report of Ernst and Young LLP.	(43 - 50)
6. Joint Whistleblowing and Joint Anti-Fraud Bribery & Corruption Policies	
To consider report of the Director of Resources.	(51 - 52)
<i>Appendix 1 - Joint Anti-Fraud Bribery and Corruption Policy</i>	(53 - 60)
<i>Appendix 2 - Joint Whistleblowing Policy</i>	(61 - 64)
7. Single Fraud Investigation Service.	
To consider report of the Director of Resources.	(65 - 70)
8. Audit Work Programme	
To receive the current Audit work programme.	(71 - 72)
9. Standards Work Programme	
To receive the current Standards work programme.	(73 - 74)
10. Ernst and Young Audit Plan 2014/2015	
To consider report of the Director of Resources.	(75 - 92)

11. **Any Other Business**

To consider any other business which the Chairman decides is urgent.

The next meeting is due to take place on Thursday, 3 July 2014

AUDIT COMMITTEE

Meeting - 5 December 2013

Present: Mr Hollis (Chairman)
Mr Hardy, Mr Anthony, Mr Bradford, Dr A Dhillon and Mrs Wallis

Also Present: Mr Naylor - (for item 28)
Mr Dobson - (Independent Member)
Chris Harris TIAA - (Internal Auditor)
Sue Gill - Ernst and Young (External Auditor)

25. MINUTES

The minutes of the meeting of the Committee held on 19 September 2013 were confirmed and signed by the Chairman.

26. FARNHAM PARK UPDATE

The South Buckinghamshire Clubhouse project is on course with the Clubhouse due to open around the end of January/beginning of February 2014 and the Committee received a report providing an update on the following issues:

- Catering contract procurement
- Organisational changes for managing the Trust Activities
- IT and Connectivity

In response to a question the Director of Resources emphasised the point made in the report that the ability of the Trust to pay back the loan the Council had advanced would be dependent on the success of the business case and the Trust achieving the key income streams identified therein.

RESOLVED that the report be noted.

27. SUBSCRIPTION TO THE STANDARDS EXCHANGE

The Committee received a report inviting it to consider subscribing to the Standards Exchange a new on line service for members with responsibility for standards issues at an annual cost of £300.

After noting the service they provided and the benefits, the Committee

RESOLVED that the Council to subscribe to the Standards Exchange at an annual cost of £300.

28. CONSIDERATION OF INVESTIGATOR'S REPORT - COUNCILLOR NAYLOR OF BURNHAM PARISH COUNCIL

Following receipt of a complaint from Councillor Davies of Burnham Parish Council that a fellow parish councillor, Councillor Naylor, had failed to comply with the Parish Council's Code of Conduct the Monitoring Officer, after consulting with the Chairman of the Committee and Mr Dobson, one of the Independent Persons, appointed a senior solicitor at Chiltern District Council, Mrs Nawaz, to undertake an independent investigation into the alleged breaches of the Code.

The Committee received a report attaching as an Appendix in Part II the findings of Mrs Nawaz. The report, after summarising the complaint, set out the conclusions that the investigator had reached namely that:

- Councillor Naylor did not breach the Parish Council's 2007 Code of Conduct

- Councillor Naylor did breach the Parish Council's 2012 Code of Conduct by virtue of his failure to declare a personal and prejudicial interest at the meeting on 10 December 2012

The report went on to set out the response of Councillor Naylor who, whilst accepting the findings, maintained that he had been unaware of the need to declare a personal and prejudicial interest.

Paragraph 6.3 detailed the further action the Committee could take to remedy the breach.

The Investigator was present and answered questions from members on her report.

Following a discussion on the Appendix which took place in Part II the Committee accepted the conclusions of the Investigator as set out above.

With regard to the further action the Committee should take, Councillor Wallis, who asked for her name to be recorded, felt that, whilst there might have been mitigating circumstances, a breach had not only occurred it had been committed by a Councillor who in his capacity as a District Councillor and Cabinet Portfolio Holder was responsible for a budget of £2m. The conduct of Councillor Naylor was unacceptable and there was a risk of damage to reputation to the Parish Council (and by association the District Council) if no action were taken against him. Councillor Wallis then went on to recommend that Councillor Naylor be issued with a reprimand in line with the further action set out in 6.3 a) -c).

A number of other members, including the Independent Person, Mr Dodson, whilst accepting that a breach of the Code had occurred, felt that the further action should be appropriate and in proportion to the nature of the breach in question which they also felt was of a minor nature.

Following a debate on what further action would be deemed appropriate and proportionate and in particular noting that Councillor Naylor was acting in his capacity as a Parish Councillor when the breach occurred, the Committee supported the option set out in paragraph 6.3.a) following which it was

RESOLVED that-

1. the conclusions of the Investigator as set out in the Appendix and summarised above be accepted.
2. the findings be referred to Burnham Parish Council in accordance with paragraph 6.3a) of the report with an informative reminding them of the importance for their members to declare personal and prejudicial interests

(Councillor Wallis asked for her dissent from this resolution to be recorded)

29. INTERNAL AUDIT PROGRESS REPORT

The Committee considered a progress report from TIAA on the Internal Audit including details of the audits carried out since 1 April 2013 as set out in a table in paragraph 4 of the appendix which also set out changes to the Annual Plan for 2013/14 as well as the progress against the annual plan for 2013/14.

After a member had outlined the difficulties they had experienced in obtaining information about the Council's car parks the Committee supported a proposal to include an evaluation of the adequacy, reliability and effectiveness of information systems and controls in the forthcoming Internal Audit on Car Parking Management.

RESOLVED that the progress against the Internal Audit Plan and findings from the Internal Audit work be noted and the proposal set out above be included in the up-coming Internal Audit on Car Parking Management.

30. INTERNAL AUDIT COMPARISON OF ASSURANCE LEVEL

Following the request made at the last meeting the Committee received a report from TIAA providing a comparison of assurance levels for the various systems audited between the years 2011/12 and 2012/13 as set out in a table in paragraph 2 of the Appendix.

Whilst the trend for the main financial systems audits had been predominantly from “Substantial” in 2011/13 to “Reasonable” in 2012/13 the Committee was satisfied with the explanation that this had arisen following the change in internal auditors rather than through an overall weakening of controls within the financial systems.

After receiving an assurance that the issue would be kept under review by TIAA and that a further comparison would be produced once the 2012/13 audits had been completed the Committee,

RESOLVED that the report be noted.

31. EXTERNAL AUDIT LOCAL GOVERNMENT SECTOR UPDATE

The Committee noted an article from the Government and Economic News highlighting a number of issues including the Spending Review 2013.

32. FARNHAM PARK PUBLIC FACILITIES - ANNUAL REPORT AND ACCOUNTS

The Committee received a report seeking approval to the Farnham Park Public Facilities Annual Report and Accounts for 2012/13 in accordance with the authority delegated to it by Council on 9 December 2008.

The report, after explaining the background to the Trust and the Council’s responsibilities as Trustee, set out amongst other things:

- The legislative background;
- The different accounting methodologies used in compiling the Statement of Accounts
- The Trustee’s Annual Report
- The Statement of Financial Activities
- The Balance Sheet

The report also set out the value of the Trust’s assets and the Committee noted that the late circulation of the report had arisen because of the need to revalue the assets, an exercise that had only been completed in the last week.

During the discussion that ensued on the ability of the Trust to repay the loan that the Council had advanced, the importance of achieving the income streams set out in the business case was again emphasised and the Director of Resources explained the management arrangements that were being established, including the setting up of a Panel comprising members and officers, to oversee and monitor performance.

In recognition of the delay in circulating the report the Head of Finance invited members to forward any further comments they may have to him after the meeting.

The Committee noted that the external auditors may request further minor changes and after referring to the proposed arrangement for securing formal approval, the Chairman undertook to circulate the accounts to members prior to signing them.

RESOLVED -that the Annual Report and Accounts be approved, subject to any further changes that may be required by the external auditor and authority be delegated to the Chairman to sign the Annual Report and Accounts to signify the completion of the Charitable Trust’s approval process.

33. HARMONISED CONTRACTS PROCEDURE RULES

The Contracts Procedure Rules of both South Bucks and Chiltern District Council have been reviewed with the aim of harmonising them as far as possible across both Councils and the Committee considered a report setting out the result of this review. Appendix 1 of the report set out the proposed changes whereas Appendix 2 summarised the most significant changes.

Referring to A6 Exemptions members felt that all exemptions should be reported to Cabinet.

The review would be considered by the Audit Committee at CDC on 2 January 2014 and members were advised that a further report would be submitted in the event of CDC's Audit Committee recommending significant changes to the proposals.

RECOMMENDED to Council that, subject to (i) the inclusion of the above amendment relating to Exemptions and (ii) the concurrence of Chiltern District Council the revised and harmonised Contracts Procedure Rules be approved.

34. **AUDIT WORK PROGRAMME**

The Committee received a work programme for future meetings in 2013/2014.

35. **STANDARDS WORK PROGRAMME**

The Committee noted the Standards Work Programme for 2013/2014.

36. **EXCLUSION OF PUBLIC**

“that under Section 100A(4) of the Local Government Act 1974 the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A to the Act “

Consideration of Investigator's Report - Councillor Naylor of Burnham Parish Council.

The Committee considered the Part II Appendices referred to in Minute 28.

The meeting terminated at 7.40 pm

SUBJECT:	Internal Audit Progress Report	
REPORT OF:	Officer Management Team- Prepared by	Director of Resources TIAA Director

1. Purpose of Report

The purpose of this report is to note the Internal Audit Progress Report.

2. Links to Council Policy Objectives

Providing an effective Internal Audit service to the Council is part of good corporate governance.

3. Background

Periodic progress reports on the Internal Audit Plan are submitted to this committee.

4. Report

See attached appendix - Internal Audit Progress Report

5. Recommendation

The Audit Committee to note progress against the Internal Audit Plan and findings arising from Internal Audit work.

Officer Contact:	Geoff Osgathorp (Audit Manager) 01494 732085 and Chris Harris (TIAA) 07766 115439
Background Papers:	None

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Summary Internal Audit Progress Report

Audit Committee – 27 March 2014

South Bucks District Council



March 2014

2013/14

Summary Internal Audit Controls Assurance Report March 2014

INTRODUCTION

1. This Summary Report provides the Audit Committee with an update on the Controls Assurance framework at South Bucks District Council at 1 March 2014. The Summary Internal Controls Assurance report ('SICA') is based on the internal audit work carried out by TIAA and management representations that have been received during the period 2 November 2013 to 1 March 2014.

PROGRESS AGAINST THE 2013/14 ANNUAL AUDIT PLAN

2. Work is well progressed on the 2013/14 audit programme and progress to 1 March 2014 is set out in Appendix A.

AUDITS CARRIED OUT SINCE 1 APRIL 2013

4. The table below sets out details of audits in progress and completed since the 1 April 2013.

Review	Evaluation	Key Dates				Number of Recommendations Priority			
		Terms of Reference issued	Audit fieldwork commenced	Draft issued	Final issued	1	2	3	OEM*
Planning	Reasonable	08/04/13	May 2013	05/07/13	25/10/13	-	1	2	5
Housing Grants	Substantial	08/04/13	April 2013	13/05/13	18/06/13	-	-	2	2
Cemeteries	Reasonable	15/04/13	May 2013	15/05/13	28/06/13	-	1	2	2
Emergency Planning	Reasonable	13/05/13	June 2013	21/08/13	14/10/13	-	2	5	1
Counter Fraud-pro active	Substantial	July 2013	Aug 2013	04/11/13	19/11/13	-	-	2	2
Environmental Services – compliance review		01/07/13	July 2013	23/01/14					
Budgetary Control	Substantial	08/07/13	July 2013	30/09/13	04/10/13	-	-	1	1
Data Security (IT)	Reasonable	13/06/13	July 2013	23/07/13	05/02/14	-	4	-	1
Web Services (IT)		13/06/13	Oct 2013	02/12/13					
Council Tax and NDR – compliance review	Substantial	20/08/13	Sept 2013	15/11/13	19/11/13	-	-	-	-
Joint working	Substantial	20/08/13	Sept 2013	13/11/13	19/11/13	-	-	-	-
Main Accounting	Substantial	20/08/13	Sept 2013	20/12/13	07/01/14	-	1	-	1
Payroll	Reasonable	20/08/13	Sept 2013	23/01/14	20/02/14	-	4	2	-
Creditors	Substantial	20/08/13	Sept 2013	20/12/13	07/01/14	-	1	1	1
Cash & Bank and Treasury Management	Substantial	16/10/13	Nov 2013	05/02/14	11/02/14	-	-	-	-
Debtors		16/10/13	Jan 2014	28/01/14					
Farnham Park Trust									

Summary Internal Audit Controls Assurance Report – March 2014

Business/Marketing Plan	Reasonable	Sept 2012	October 2012	Jan 2013	08/08/13	-	2	2	1
New Clubhouse	Substantial	13/05/13	June 2013	19/09/13	18/10/13	-	-	-	-

*OEM = Operational Effectiveness Matters

EMERGING GOVERNANCE, RISK AND INTERNAL CONTROL RELATED RISKS

5. We have not identified any emerging risks which could impact on the overall effectiveness of the governance, risk and internal control framework of the organisation. The action plans and management responses to our audit work for priority recommendations 1 and 2 for the period 2 November 2013 to 1 March 2014 is shown in Appendix B.

CHANGES TO THE ANNUAL PLAN 2013/14

6. The following changes have been made to the Annual Plan for 2013/14:

Description	Original Days	Revised Days	Details
Counter Fraud	-	5	Additional Audit Approved by the Audit Committee at its meeting on 28 March 2013
Environmental Services – compliance review	-	5	Additional Audit Approved by the Audit Committee at its meeting on 28 March 2013
Payroll	5	8	Additional days required to meet external audit expectations regarding sample sizes for testing, to address variations from tendered expectations and to meet the consortium requirements.
Debtors	5	6	Additional days required to meet external audit expectations regarding sample sizes for testing which had not been included in the original tender submission
Creditors	5	6	Ditto
Housing Benefits	5	6	Ditto
Council Tax Support	5	6	Ditto
Cash & Bank & Treasury Management	5	6	Ditto
Governance/Risk Management			The planned governance audit will be a risk management review undertaken in quarter 3. This is considered important given the joint arrangements and recent reviews of both the strategic and operational risk registers.
TOTAL	30	48	

7. The above increases to the tendered days for these financial audits have been discussed with the client Audit Manager, Head of Finance and the respective members of the consortium for

Summary Internal Audit Controls Assurance Report – March 2014

the payroll audit and agreed with them. Primarily the increases have arisen to meet the sample sizes for testing key controls which are in excess of those originally tendered. This is a variation to the scope of the work and will provide adequate internal audit coverage which meets current external audit requirements.

LIAISON MEETINGS

8. We continue to meet with the external auditor (Ernst and Young) and have regular (usually monthly) liaison meetings with the Council's Audit Manager.

FRAUDS/IRREGULARITIES

9. We have not been advised of any frauds or irregularities during the period.

PROGRESS IN ACTIONING PRIORITY 1 RECOMMENDATIONS

10. We have not made any Priority 1 recommendations in this period. (i.e. fundamental control issue on which action should be taken immediately).

IMPLEMENTATION OF PRIORITY 1 AND 2 RECOMMENDATIONS

11. There are no outstanding audit recommendations flowing from the work we did during 2012/13.

RESPONSIBILITY

12. The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud. Reliance was placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

Appendix A

PROGRESS AGAINST THE ANNUAL PLAN FOR 2013/14

Audit Area	Start Planned Month	Actual/revised start date	Original planned days	Actual/revised days
Planning	Apr 13	08/04/13	5	5
Housing Grants	Apr 13	08/04/13	5	5
Cemeteries	Apr 13	15/04/13	5	5
Homeless Allocations	May 13	09/12/13	5	5
Emergency Planning	May 13	13/05/13	5	5
Data Security (IT)	May-13	01/07/13	5	5
Web Services (IT)	May 13	07/10/13	5	5
Counter Fraud Proactive work	Jun-13	12/08/13	-	5
Environmental Services - compliance review	Jul-13	01/07/13	-	5
Budgetary Control	Aug-13	05/08/13	5	5
Council tax and NDR compliance	Sep-13	23/09/13	5	5
Joint Working	Sep-13	16/09/13	8	8
Main Accounting	Oct-13	18/09/13	5	5
Payroll	Oct-13	23/09/13	5	8
Creditors	Oct-13	19/09/13	5	6
Cash and bank and Treasury Man	Nov-13	19/11/13	5	6
Housing Benefits	Dec-13	29/11/13	5	6
Council Tax Support	Dec-13	12/11/13	5	6
Debtors	Jan-14	06/01/14	5	6
Governance (Risk Management)	Jan-14	27/01/14	5	5
Council Tax and NDR	Jan-14	14/02/14	12	12

Summary Internal Audit Controls Assurance Report – March 2014

Audit Area	Start Planned Month	Actual/revised start date	Original planned days	Actual/revised days
Car Parking	Feb-14	04/02/14	5	5
TOTAL			110	128
Management time (including follow up)			<u>15</u>	<u>15</u>
GRAND TOTAL			125	143

Farnham Park Trust (13/14)

Farnham Park - New Clubhouse	May 13	13/05/13	5	5
TOTAL			5	5

AUDITS FINALISED SINCE LAST AUDIT COMMITTEE

Title of review:	Planning
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Date issued:	October 2013
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Rec.	Control	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Complaints/ compliments should be an integral part of improving the Planning system.	A review of the log for 2012/13 showed that 5 complaints had not been responded to within the 10 day timeframe, however the master checklist (which is used to produce the annual report presented to the Overview & Scrutiny Committee) showed that all complaints had been responded to within the 10 day timeframe.	Corporate master checklist for complaints to be reviewed and amended to ensure that it accurately reflects the information contained in the Planning department complaints log.	2	<i>A review of the recording and reconciliation of the Corporate Complaint/compliment register to be carried out.</i>	31/12/2013	Laura Campbell

Title of review:	Emergency Planning
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Date issued:	October 2013
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Rec.	Control	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Staff identified to manage the emergency plan have been adequately trained.	All departments are expected to provide logistical support to the Emergency Management Team and to the Emergency Operations Centre. This may take the form of providing officers to assist with the work, including working shifts where necessary, and the allocation of equipment and furniture. In addition, all departments are expected to provide out of office hours contact arrangements including staff contact details for emergency response. There is an 'Emergency Planning Basics' leaflet in place, however discussions with the Emergency Planning Officer indicated that no information relating to Emergency Planning is provided to new staff on induction, and there is no general Emergency Planning awareness training available to all members of staff.	Information regarding Emergency Planning should be provided to all staff on induction and general Emergency Planning awareness training should be provided to ensure that all members of staff are aware of what will be required of them in the event of an emergency. Given the limited resources available at South Bucks it may be prudent to provide such training in conjunction with that already in place at Chiltern District Council.	2	1. <i>The South Bucks leaflet Emergency Planning Basics will be made available to all existing members of staff with a reminder of their role for the authority within EP</i> 2. <i>Develop a training plan to include regular awareness training in association with Chiltern District Council.</i>	30/04/2014	DG
6	An appropriate Emergency Control Centre is available	A review of the Operations Centre Manual which is situated in the EOC confirmed that it includes contact details for SBDC, AVDC,	The Operations Centre Manual should be reviewed and updated to ensure that	2	<i>A review of the operations centre manual will be scheduled and reissued in line</i>	01/04/2014	DG

Rec.	Control	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
	which is fit for purpose.	CDC, WDC, other local authorities, emergency services, hospitals, voluntary organisations, utility and transport companies, government departments, radio and TV, details of primary reception centres, an EOC staffing list, a confidential contacts list, county council responsibilities, and an EOC guide (activation, officer roles, plans for setting up equipment). It was noted, however, that the information in the manual was dated 2005.	the information available to EOC staff in the event of an emergency is up to date and accurate.		<i>with the SBDC Emergency Plan.</i>		

Title of review:	Data Security
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Date issued:	February 2014
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Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Governance Risk	There is currently a Data Protection Policy in place (dated 2008). This needs to be reviewed to ensure staff understand their responsibilities with regard to the protection of personal and sensitive data held by the Council.	Ensure that the Data Protection policy is formally approved and implemented at the earliest opportunity.	2	<i>SBDC Cabinet (10.02.14) Service Plan Summary: A shared Information Governance Group is in place (chaired by the Director of Resources). This IGG has a plan for 2014/15 to harmonise policies and procedures (this will include Data Protection polices and Data Breach Policies). The intention is to revise the training for Data Protection and put all staff through Information Governance training during 2014/15.</i>	2014/15	Director of Resources.
2	Governance Risk	A Data Breach policy was drafted in November 2009 in response to an incident. The Corporate Information Officer should ensure that the policy is in line with current practices and approved for use. Testing showed that information was recorded about data breached but no central log was maintained.	Ensure that the Data Breach policy is formally approved and implemented at the earliest opportunity.	2	<i>SBDC Cabinet (10.02.14) Service Plan Summary: A shared Information Governance Group is in place (chaired by the Director of Resources). This IGG has a plan for 2014/15 to harmonise policies and procedures (this will include Data Protection polices and Data Breach Policies).</i>	2014/15	Director of Resources

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Compliance Risk	Testing showed that information was recorded about data breaches but no central log was maintained. Data breaches are recorded on the network, the number of breaches to date has been minimal and none of a significant nature.	Consideration be given to maintaining a central log of all data breaches for monitoring purposes.	2	<i>Agreed to set up an excel workbook of all data breaches.</i>	<i>Implemented 11.02.14</i>	<i>Corporate Information Officer</i>
4	Fit for Purpose Risk	It is understood that temporary and agency staff are currently not subject to any Data Protection training by the Council. Mandatory Data Protection training for agency and temporary staff should be implemented to ensure the requirements of the Council are adhered to.	Ensure that data protection training is provided to all temporary and agency staff in line with the requirements for permanent staff.	2	Agency staff dp training should be contained in the contract. HR induction issues – new starters/leavers policy being implemented. Looking at Learning Pool, or similar product to deliver online training for all staff.	Q2 2014	Director of Resources

Title of review:	Main Accounting
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Date issued:	January 2014
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Rec.	Control	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	All transfers from feeder systems are done completely, accurately and timely and are reconciled.	A reconciliation of the sales ledger control account had not been carried out thus far during the 13/14 financial year. It was noted that a recommendation in relation to the timeliness of sales ledger reconciliations had been raised during the previous year's audit review, and as part of the management responses it was indicated that these would be performed on a quarterly basis.	Action to be taken to ensure that sales ledger control account reconciliations are undertaken on a quarterly basis in order to promptly identify and rectify any discrepancies.	2	Agreed. <i>This reconciliation has slipped due to other work priorities. It will be brought up to date by the end of the financial year.</i>	<i>By end of financial year</i>	<i>Head of Finance</i>

Title of review:	Payroll
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Date issued:	February 2014
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Rec.	Control	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	<p>There should be adequate documentary evidence to support the creation of new employees (fte and temporary staff).</p> <p>There should be adequate documentary evidence to support an employee leaving the Council's employment.</p> <p>All temporary variations to salary, e.g. overtime and expenses, should be supported by adequate documentary evidence which has been checked and approved.</p> <p>Changes to system parameters (including salary changes) and access to payroll data is restricted to authorised individuals.</p>	<p>Across the entire sample testing for starters, leavers, overtime claims, expenses claims and salary changes, it was evident that there was a clear control process in place, but that the controls were not operating at all times. It was the auditor's opinion that, on the whole, a reasonable level of assurance could be given with respect to the processing of payroll data, however there was still scope for improvement at all of the Councils, and in particular with respect to the evidencing of input validation by the AVDC Payroll team. The move towards electronic submission and authorisation of payroll information is a positive one, as it will reduce the number of steps required to process payroll data, bringing with it a reduction in the number of people involved in the process and the associated copy error risk. However, given the fact that the electronic submission of payroll data is still in its infancy, the onus must still be on Client Officers and the AVDC Payroll team to ensure that payroll data is only processed following receipt of all relevant authorisations, and that all</p>	<p>All Client Officers and the AVDC Payroll team should ensure that payroll data is only processed following receipt of all relevant authorisations, and that all payroll data is subject to input validation.</p>	2	<p><i>WDC: will only pass payroll instructions when we have all the information we need.</i></p> <p><i>AVDC: Agreed.</i></p>	<p style="text-align: center;"><i>Immediate</i></p> <p style="text-align: center;"><i>Immediate</i></p>	<p><i>Jamie Ford, Technician (Creditors & Payroll)</i></p> <p><i>All client officers and the AVDC Payroll Team</i></p>

Rec.	Control	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		payroll data is subject to input validation.					
4	Monthly reconciliations take place to confirm completeness and accuracy of payroll data. Payroll to General Ledger and also reconciliation between Personnel records and payroll.	With respect to the monthly process at AVDC, it was noted that the costings amounts for the 'AVDC Additional Pension – Make Up' (October) and the 'AVDC LGPS – Make Up' (August) did not appear on the relevant general ledger code, indicating that amounts were either failing to upload or were uploading to the wrong ledger code.	AVDC payroll costings upload process to be investigated to ensure that all amounts processed through the payroll system are being adequately captured in the financial accounting system.	2	<i>AVDC: This has now been addressed and the costing process has been updated to ensure that all items are correctly captured within the General Ledger.</i>	<i>Done</i>	<i>AVDC People and Payroll Manager</i>

Appendix

Rec.	Control	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
5	Monthly reconciliations take place to confirm completeness and accuracy of payroll data. Payroll to General Ledger and also reconciliation between Personnel records and payroll.	<p>The People & Payroll Manager is also responsible for undertaking monthly payroll control account reconciliations and separate tax/NIC reconciliations for AVDC. From a review of the reconciliation spreadsheets it was noted that the control account reconciliations were approximately a month behind schedule, and the tax/NIC reconciliations were approximately 3 months behind schedule.</p> <p>Monthly payroll control account reconciliations at CDC are undertaken by an Accounts Assistant and reviewed and signed off by the Senior Accountant. It was confirmed by the Principal Accountant that these had not been undertaken since September 2013 due to high workload, and were therefore approximately 2 months behind schedule. A review of the September reconciliation confirmed that discrepancies had been reviewed and relevant reasons identified, with the reconciliation being signed off by the Principal Accountant.</p>	AVDC and CDC payroll reconciliations should be undertaken promptly following month end in order to ensure that any discrepancies are identified as soon as possible.	2	AVDC and CDC: Agreed.	By the end of the Financial Year	AVDC People and Payroll Manager. CDC Accounts Assistant
6	Monthly reconciliations take place to confirm completeness and	At CDC, establishment reconciliations are to be undertaken by the HR department at least twice a year,	CDC establishment reconciliations should be carried out on a regular	2	CDC: The key priorities for the Personnel team over the past year have been the development of	By May 2014	CDC Head of Personnel

Rec.	Control	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
	<p>accuracy of payroll data. Payroll to General Ledger and also reconciliation between Personnel records and payroll.</p>	<p>typically after the December payroll and after April pay increments. However, it was noted that a reconciliation has not been carried out during this financial year.</p>	<p>basis in order to ensure that any discrepancies between HR and Payroll data are identified as soon as possible.</p>		<p><i>harmonisation proposals and the change management support for the shared services agenda. This has meant that some activities have not been undertaken and through a managed risk assessment the impact has been controlled. This has included establishment reconciliations. To mitigate the risk and give assurance, as part of the harmonisation work, a detailed check of salaries and benefits had to be undertaken in April 2013 using budget information supplied by Accountancy. Furthermore as part of the PRP arrangements, a check of salaries is currently being undertaken. A full reconciliation between Payroll and Personnel records is planned to be undertaken in May 2014.</i></p>		

Title of review:	Creditors
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Date issued:	January 2014
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Rec.	Control	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Appropriate manager authorisation should be provided to set up new suppliers, and any changes to supplier details (in particular bank details) should be substantiated and approved. A segregation of duty should exist between the originating officer and the person creating/amending the electronic record.	From a sample of 10 amendments made to suppliers' bank details during 2013/14, it was confirmed in all cases that appropriate supporting evidence had been filed, with the evidence being initialled by both officers as evidence that the input had been checked for accuracy. It was further confirmed in all cases that the supplier information had been correctly input onto Integra as per the supporting evidence. However, it was noted that in 5 of the 10 cases, there was no evidence that a member of the finance team had substantiated the change by contacting the relevant company.	Officers to be reminded of the importance of verifying supplier amendments (particularly in relation to bank details) in accordance with internal procedures, and noting any such checks within the supporting evidence as confirmation that the amendments have been validated.	2	<i>Agreed.</i>	<i>Immediate</i>	<i>Head of Finance</i>

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SUBJECT:	Internal Audit Strategic and Annual Plan Report 2014/15 to 2018/19	
REPORT OF:	Officer Management Team- Prepared by	Director of Resources TIAA Director

1. Purpose of Report

The purpose of this report is to note the Internal Audit Strategic and Annual Plan Report 2014/15 to 2018/19.

2. Links to Council Policy Objectives

Providing an effective Internal Audit service to the Council is part of good corporate governance.

3. Background

Annually internal audit inform the Audit Committee of its strategy and forward plan requirements.

4. Report

See attached appendix - Internal Audit Strategic and Annual Plan Report 2014/15 to 2018/19.

5. Recommendation

The Audit Committee to note the Internal Audit Strategic and Annual Plan Report 2014/15 to 2018/19.

Officer Contact:	Geoff Osgathorp (Audit Manager) 01494 732085 and Chris Harris (TIAA) 07766 115439
Background Papers:	None

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Internal Audit Strategic Plan 2014/15 to 2018/19, and Annual Internal Audit Plan 2014/15

South Bucks District Council



February 2014

2014/15

Internal Audit Strategic and Annual Plan

- EXECUTIVE SUMMARY -

INTRODUCTION

1. This Internal Audit Strategic Plan and Annual Plan have been drawn up in accordance with the requirements of the CIPFA Public Sector Internal Auditing Standards for Internal Audit in Local Government.

INTERNAL AUDIT STRATEGIC PLAN

2. The Internal Audit Strategic Plan provides for a rolling review of South Bucks District Council's systems of internal control over a five year period. In developing your strategic plan we have given consideration to the following:
 - The key objectives of South Bucks DC and those risks associated with your objectives
 - The strategic risks and the controls to manage those risks identified in your risk registers
 - Areas identified by your Members, Directors and Heads of Service
 - Areas where External Audit may wish to place reliance
 - Recent significant changes to the organisation or its operations
 - Any other assurances which the Council receives
 - Any regulatory requirements for internal audit
 - Emerging issues such as the "joint working" with Chiltern DC
 - The frequency of each audit based upon risk and materiality
 - The outcomes of any previous audit work

The Internal Audit Strategic Plan for 2014/15 – 2018/19 is at Annex A.

ANNUAL PLAN

3. An Annual Plan is prepared prior to the start of each financial year. The programme of work within the Annual Plan will be in accordance with that set out in the Internal Audit Strategic Plan, subject to any changes to the audit risk assessment. Any such changes will be identified in the Annual Plan presented to the Audit Committee for approval. The Annual Plan for 2014/15 is at Annex B.

- DETAILED REPORT -

SCOPE OF THE INTERNAL AUDIT STRATEGIC PLAN

4. The scope of the Internal Audit Strategic Plan is limited to those operational activities undertaken by South Bucks District Council. However, due consideration has been given to the joint working with Chiltern District Council and the strategic plans of both Council's have been prepared to undertake similar audits for each Council at a similar time. The internal audit programme of work, outlined in the Internal Audit Strategic Plan, is designed to determine the

extent to which the network of risk management, control and governance processes are adequate and operating in the designed manner.

5. The scope of the governance, risk management and control framework for South Bucks District Council was determined through discussions with senior management, review of the risk map and our knowledge gained through the internal audit work we carried out during 2013/14.
6. In order to obtain the best use of the internal audit resource it is necessary to assess the assurance risk to South Bucks District Council of a failure of the governance, risk management and control processes in key areas of activity. The assurance risk assessment identified the areas which we consider to have a significant latent assurance risk in one or more of the three types of assurance risk, details of which are set out in the table below

Risk type	
Major Identified Risks (MIR)	The Council's strategic risk register lists the business significant risks. Many of these risks relate to external factors where internal audit could have very limited impact. Major risks, which relate to internal factors have been considered as part of the production of the Internal Audit Strategic Plan.
Strategic Control Risks (SCR)	The risk is not just the immediate financial loss that may arise but also the impact of the adverse publicity that may occur from a control failure. In the medium to longer term it is possible that the latter will have a greater adverse impact for the Council than the purely financial aspects.
Internal Control Risks (ICR)	These are risks of failure in the financial and operational control framework associated with the operation of an activity. The risk analysis makes allowance for other assurance procedures put in place by South Bucks District Council.

PRIORITISATION OF AUDIT REVIEWS

7. The internal audit work has been planned over a five year rolling cycle. Based upon the agreed number of days to be provided, each year the frequency of the coverage for each auditable area assessed as having a significant latent assurance risk has been determined based upon the strategy set out below.

Area	Frequency of review
Key business critical areas	These will be reviewed using a modular approach; this enables a review of different aspects of these areas to be reviewed each year.
Key financial systems	These will be subject to either a full review or a compliance review on an annual basis.
Other areas of core financial and operational activity	These will be reviewed using a two to five year rolling cycle.

INTERNAL AUDIT STRATEGIC PLAN

8. Annex A sets out the overall plan for the rolling review of South Bucks District Council's systems of governance, risk management and internal control over a five-year cycle. The Internal Audit Strategic Plan highlights what our assessment is of the principal assurance risk for each area to be reviewed.
9. The Internal Audit Strategic Plan assumes that there are no significant changes in the assurance risk assessments or in the operations of South Bucks District Council. It also assumes that no significant control weaknesses will be identified by the internal audit reviews. As a consequence TIAA will prepare an Annual Plan in each of the financial years which will modify the Internal Audit Strategic Plan to take into consideration all known changes.
10. For South Bucks District Council it is appropriate to have an integrated audit programme that comprises five types of audit review as set out below.

Type of review	Explanation
Assurance	Each review entails identifying the objectives of the system, identifying the risks to the system and then establishing that controls are in place to minimise the potential risk. The appropriate level of testing is then carried out to assess the actual effectiveness of the controls.
Compliance	The emphasis of the compliance reviews is on establishing by detailed testing the integrity of the arrangements being operated and re-affirming the reliance that can still be placed on the opinion provided on the previous full system reviews.
Appraisal	The emphasis is on whether the arrangements in place accord with good practice but do not extend to detailed compliance checking.
Operational	The emphasis of the operational reviews to identify the extent to which the operating procedures for specific activities accord with good practice.
Follow Up	These complement the audit reviews by testing the extent of effective implementation of previous internal audit recommendations.

TIMINGS

11. The times allocated to the individual reviews in the Internal Audit Strategic Plan include preparation and issue of terms of reference, production and review of working papers and reports.

ANNUAL PLANS

12. An Annual Plan will be prepared prior to the start of each financial year (Annex B). The programme of work within the Annual Plan will be in accordance with the Internal Audit Strategic Plan and any variations will be agreed with the senior staff at the Council and will be reported to the Audit Committee.

ASSESSMENT OF THE KEY RISK CONTROL OBJECTIVES

13. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks will be provided. The assessments are:

Substantial Assurance	Robust series of internal controls in place designed to achieve the system objectives and which are being consistently applied.
Reasonable Assurance	Series of internal controls in place, however there are some control improvements and/or enhancements to compliance that would assist in ensuring the continuous and effective achievement of the system objectives.
Limited Assurance	The controls in place and/or the level of compliance are not sufficient to ensure the continuous and effective achievement of the system objectives.
No Assurance	Fundamental breakdown or absence of core internal controls.

REPORTING

14. A separate report will be prepared for each audit carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of the IIA-UK Internal Audit Standards and the CIPFA Public Sector Internal Auditing Standards.
15. A Summary Internal Controls Assurance (SICA) report will be submitted to each meeting of the Audit Committee. The SICA will highlight any trends or significant issues arising from our audit work that need to be drawn to the attention of the Audit Committee. The SICA also includes a report on progress against the Annual Plan and any proposals for changes to the Annual Plan to reflect emerging priorities.
16. An Annual Report will be prepared for each year in accordance with the requirements set out in the IIA-UK Internal Audit Standards and CIPFA Public Sector Internal Auditing Standards. The Annual Report includes our opinion of the overall adequacy and effectiveness of South Bucks Council's risk management, control and governance processes.

LIAISON WITH THE EXTERNAL AUDITOR

17. TIAA will liaise with the South Bucks Council's External Auditor to enable them to place reliance on our internal audit work. Any matters in the areas included in an Annual Plan that

are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

LIMITATIONS AND RESPONSIBILITY

18. The timings shown in the Internal Audit Strategic Plan and the Internal Audit Plan assume that the expected controls will be in place. Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of South Bucks Council and additional time will be required to carry out such testing. South Bucks Council is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.
19. Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.
20. The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.
21. Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.
22. The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.
23. This Internal Audit Strategic Plan has been prepared based on the number of days of internal audit work which have been agreed with South Bucks Council. TIAA does not warrant that all significant latent assurance risk areas will be fully covered during the five year period. It is the responsibility of the Audit Committee/Director of Resources for South Bucks Council to determine that the number of audit days to be provided and the planned audit coverage is sufficient to meet the requirements of the Council. The Head of Internal Audit is satisfied that the planned audit days available are sufficient to enable us to provide an annual opinion on the extent to which the governance, risk management and control processes are adequate and operating in the designed manner.

STRATEGIC INTERNAL AUDIT PLAN -2014/15 TO 2018/19

<u>Description of area to Audit</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>Comments</u>
<u>Main Financial Systems Audits</u>						
Main Financial Accounting System	5	5	5	5	5	Key financial system
Payroll	8	8	8	8	8	Key financial system. Payroll is managed by Aylesbury Vale DC and if undertaken by TIAA Ltd will be a 32 day audit. Time in plan reflects apportionment of cost to South Bucks.
Debtors	6	6	6	6	6	Key financial system.
Creditors	6	6	6	6	6	Key financial system
Housing Benefits	6	6	6	6	6	Key financial system
Council Tax Support	6	6	6	6	6	Key financial system
Council Tax and NDR	12	12	12	12	12	Key financial system. Council Tax and NDR to be undertaken as one audit with one audit scope and one report.
Cash & Bank and Treasury Management	6	6	6	6	6	Key financial system
Budgetary Control		5		5		Periodic audit of budgetary control arrangements
Taxation - VAT/PAYE/NI						No audit planned.- Reviewed by HMRC

<u>Description of area to Audit</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>Comments</u>
<u>Computer Audit Work</u>						
IT Software						A periodic audit to confirm the Council compliance with software licences held and also to identify licences held but not required
IT Disaster Recovery						A periodic audit to assess the Council's IT resilience in the event of a major IT disaster
Steria Contract						A periodic review of the Council's main IT contractor for the outsourced IT work
IT Strategy						A periodic review of the Council's strategy and how this is being implemented
IT Communications						A periodic review of the Council's electronic communications to include email.
Data Security						A periodic review of how the Council is protecting electronic data
Web Services (Content Management System)						A periodic review of the Council's Web site
Information Management						A periodic review of how the Council manages electronic information.
Contingency for ICT audit work	15	15	15	15	15	Details to be reported to a subsequent Audit Committee following the ICT Governance and Controls review currently being undertaken
<u>Other Audit Work</u>						
<u>Sustainable Development</u>						
Planning (and enforcement)			7			A periodic review of the planning and enforcement arrangements for the Council

<u>Description of area to Audit</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>Comments</u>
Development Management			5			A periodic audit to review the processes and procedures for development management
Building Control		5		5		A periodic review of the Council's Building Control activities
<u>Health and Housing</u>						
Housing Policy/Homelessness Allocations		5			5	A periodic review of the Council's Housing Policy arrangements
Housing Grants – energy efficiency grants	5		5		5	A periodic review into the Council's Housing Grants
Housing – Section 106		5		5		A periodic review into how the Council is spending its Section 106 money
Environmental Health				5		A periodic review into the Council's arrangements for managing environmental health issues such as food safety procedures
Licensing	6					A periodic review into the procedures for managing licenses
Business Continuity				5		A periodic review into the Council's business continuity arrangements
Emergency Planning				5		A periodic review of the Council's emergency planning arrangements
Sustainability/Carbon Management		5				A periodic review into the Council's arrangements for managing its carbon footprint
Health and Safety – internal arrangements		5			5	A periodic review into the Council's arrangements for Health and Safety within the Council
<u>Environmental Services</u>						

<u>Description of area to Audit</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>Comments</u>
Health and Safety – Contractor arrangements				5		A periodic review of the Health and safety arrangements for Contractors
Grounds Maintenance				5		A periodic review of the Councils ground maintenance procedures
Waste Collection		5			5	A periodic review of the Councils waste collection procedures
Contracts		7		7		A periodic review of the Councils major contracts within the Environmental Services Department
Car Parking	6	6	6	6	6	The review in 14/15 will focus on the income collection, reconciliation and security
Property and Asset Management		5		5		A periodic review into how the Council manages its portfolio of properties
Cemeteries			5			A periodic review of the Councils cemetery procedures
<u>Community Services</u>						
Grants	5			5		A periodic review into community grants
Leisure					5	A periodic review of the Councils contract monitoring procedures for the Leisure Contract
Safeguarding			5			A periodic review of the Council's Safeguarding arrangements
<u>Legal and Democratic Services</u>						
Land Charges			5			A periodic review into procedures and income collected for land charges
Electoral Registration		5			5	To focus on the changes to the Elector Individual Registration.

<u>Description of area to Audit</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>Comments</u>
Elections						No audit planned
External Solicitors						No audit planned
Court Costs (Department issue)						No audit planned
<u>Corporate Audits</u>						
Data protection/FOI	5		5		5	A periodic review of the Council's Data Protection/FOI arrangements
Governance	5	5	5	5	5	An annual review of the Councils governance arrangements
Risk Management		5		5		A periodic review of the Councils risk management procedures
Joint Working (with Chiltern DC)	8	8	8	8	8	In 2014/15 the audit will focus on phase 2 of the joint working arrangements and the service reviews
Procurement	5		5		5	A periodic review into the Council's procurement procedures
Counter Fraud		5		5		A periodic review to focus on current fraud and irregularity issues which affect the Council
Data Quality and PIs			5			A periodic review of the Council's Data Quality arrangements
<u>Human Resources</u>						
Absence Management	5				5	A periodic review of the Council's absence management arrangements
HR issues arising from the Service Reviews	5					An audit arising out of the service reviews and the Council's management of staffing issues.

<u>Description of area to Audit</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>Comments</u>
Recruitment			5			A periodic review of the arrangements for recruiting staff
Equalities			5			A periodic review of the Council's compliance with the Equalities legislation
Other						
Audit follow up work	4	4	4	4	4	An annual audit at the end of the year to assess implementation of audit recommendations made.
Annual audit letter	1	1	1	1	1	Annual Assurance letter
Management of Contract to include attendance at Risk Management Group	10	10	10	10	10	Time spent by the TIAA Audit Director in servicing the Audit Committee, attending the Risk Management Group, liaising with the Client and External Audit and generally managing the Internal Audit contract.
Total Number of Audit Days	140	166	161	171	149	

FARNHAM Park Charitable Trust Strategic Plan 2014/15 to 2018/19

<u>Description</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>Comments</u>
Stock Control	5		5		5	An audit on stock held at the Clubhouse
Income		5		5		An audit of all income received at Farnham Park
Business/Marketing Plan						It has been assumed that the Council will put in place appropriate monitoring arrangements for reviewing and monitoring the Trust business/marketing plan.
Contingency time	5	5	5	5	5	For 2014/15 this time will be spent in working with the new Business Manager for the Trust and assisting him with the control framework for the club house etc.
Total Number of Audit Days	10	10	10	10	10	

Annual Internal Audit Plan 2014/15

<u>Description</u>	<u>Days</u>	<u>Assurance Risk Type</u>	<u>Type of review</u>	<u>Details of Audit</u>	<u>Proposed start Month</u>
<u>Financial Systems</u>					
Main Financial Accounting System	5	ICR	Assurance	Systems audit for external audit reliance – controls to be tested will be agreed with the external auditor prior to starting fieldwork	October 2014
Payroll	8	ICR	Assurance	Systems audit for external audit reliance – controls to be tested will be agreed with the external auditor prior to starting fieldwork	October 2014
Debtors	6	ICR	Assurance	Systems audit for external audit reliance – controls to be tested will be agreed with the external auditor prior to starting fieldwork	October 2014
Creditors	6	ICR	Assurance	Systems audit for external audit reliance – controls to be tested will be agreed with the external auditor prior to starting fieldwork	October 2014
Housing Benefits	6	ICR	Assurance	Systems audit for external audit reliance – controls to be tested will be agreed with the external auditor prior to starting fieldwork	November 2014
Council Tax Support	6	ICR	Assurance	Systems audit for external audit reliance – controls to be tested will be agreed with the external auditor prior to starting fieldwork	November 2014
Council Tax & NDR	12	ICR	Assurance	Systems audit for external audit reliance – controls to be tested will be agreed with the external auditor prior to starting fieldwork	December 2014
Cash & Bank and Treasury Management	6	ICR	Assurance	Systems audit for external audit reliance – controls to be tested will be agreed with the external auditor prior to starting fieldwork	November 2014

<u>Description</u>	<u>Days</u>	<u>Assurance Risk Type</u>	<u>Type of review</u>	<u>Details of Audit</u>	<u>Proposed start Month</u>
<u>Computer Audit Work</u>					
Contingency	15			Audit work to be identified and reported to a subsequent Audit Committee. Review currently being undertaken	
<u>Sustainable Development</u>					
No audits planned for 2014/15					
<u>Health and Housing</u>					
Housing Grants – energy efficiency grants	5	SCR	Operational	An operational review into energy efficiency grants in Housing	April 2014
Licensing	6	SCR	Operational	An operational review into the Council's Licensing arrangements	May 2014
<u>Environmental Services</u>					
Car Parking	6	SCR	Operational	An operational review into how the Council manages income, reconciliation security at the Car Parks	Feb 2015
<u>Community Services</u>					
Grants	5	SCR	Operational	An operational review of the grants system	May 2014
<u>Legal and Democratic Services</u>					
Nothing planned for 2014/15					
<u>Corporate Audits</u>					
Data protection/FOI	5	SCR	Assurance	An assurance review of the Council's data protection and freedom of information arrangements	July 2014
Governance	5	MIR	Assurance	An assurance that the Councils governance arrangements are working well	January 2015

<u>Description</u>	<u>Days</u>	<u>Assurance Risk Type</u>	<u>Type of review</u>	<u>Details of Audit</u>	<u>Proposed start Month</u>
Joint Working (with Chiltern DC)	8	SCR	Assurance	An assurance that the joint working arrangements with Chiltern DC are providing proper governance and risk management and that controls have not been lost or reduced.	September 2014
Procurement	5	MIR	Assurance	An assurance review that the Council's procurement arrangements are working well	July 2014
<u>Human Resources</u>					
Absence Management	5	SCR	Assurance	An assurance review that will examine the system for managing absence management within the Council	May 2014
HR issues arising from the Service Reviews	5	SCR	Assurance	An assurance review of the HR arrangements for managing the service reviews	April 2014
<u>Other</u>					
Audit follow up work	4		Follow up	An annual audit to assess the implementation of audit recommendations	March 2015
Annual audit letter/report	1			The annual assurance letter/report	May 2015
Management of contract to include attendance at Risk Management Group	10			Time spent by the Audit Director on planning, quality assurance, client and external audit liaison and committee attendance.	Ongoing
TOTAL	140				

FARNHAM Park Charitable Trust Annual Plan 2014/15

<u>Description</u>	<u>Days</u>	<u>Assurance Risk Type</u>	<u>Type of review</u>	<u>Details of Audit</u>	<u>Proposed start Month</u>
Stock Control	5	SCR	Assurance	A periodic audit to review the stock control arrangements at the club house	July 2014
Contingency Time	5			For 2014/15 this time will be spent in working with the new Business Manager for the Trust and assisting him with the control framework for the club house etc	April 2014
TOTAL	10				

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Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

Tel: + 44 118 928 1599
Fax: + 44 118 928 1101
ey.com



INVESTOR IN PEOPLE

Private and confidential

The Members of the Audit Committee
South Bucks District Council
Capswood
Oxford Road
Denham
BUCKS UB9 4LH

23 January 2014

Ref:
Your ref:

Direct line: 07769 932604

Email: MGrindley@uk.ey.com

Dear members

Certification of claims and returns annual report 2012-13 South Bucks District Council

We are pleased to report on our certification work. This report summarises the results of our work on South Bucks District Council's 2012-13 claims and returns.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require certification from an appropriately qualified auditor of the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. When such arrangements are made, certification instructions issued by the Audit Commission to appointed auditors of the audited body set out the work they must undertake before issuing certificates and set out the submission deadlines.

Certification work is not an audit. Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

In 2012-13, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the housing and council tax benefits subsidy claim where the grant paying department set the level of testing.

Where auditors agree it is necessary audited bodies can amend a claim or return. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

Statement of responsibilities

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission website.

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The statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

This annual certification report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Summary

Section 1 of this report outlines the results of our 2012-13 certification work and highlights the significant issues.

We checked and certified one claim and one return with a total value of £46,553,250. We met all submission deadlines and issued a qualification letters for the claim. Details of the qualification matters are included in section 2. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

We made no recommendations to the Council last year, or for the current year.

Fees for certification work are summarised in section 2. The Audit Commission applied a general reduction of 40% to certification fees in 2012-13. We have included the actual fees for 2011-12 and their values after the 40% reduction to assist year on year comparisons. We have also set out the additional work required this year and the proposed fee relating to this work which is currently being considered by the Audit Commission as part of their scale fee variation process.

We welcome the opportunity to discuss the contents of this report with you at the 27 March 2014 Audit Committee.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Maria Grindley', written in a cursive style.

Maria Grindley
Director
Ernst & Young LLP
Enc

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1. Summary of 2012-13 certification report

We certified 1 claim and 1 return in 2012-13. The main findings from our certification work are provided below.

Housing and council tax benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£18,271,529
Limited or full review	Full
Amended	Amended – subsidy reduced by £3,177
Qualification letter	Yes
Fee - 2012-13	£31,659
Fee - 2011-12	£58,031
Recommendations from 2011-12:	Findings in 2012-13
None	See below

Councils run the Government's housing and council tax benefits scheme for tenants and council taxpayers. Councils responsible for the scheme claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' testing (extended testing) if initial testing identifies errors in the calculation of benefit or compilation of the claim. We found errors and carried out extended testing in several areas.

Extended '40+' testing and other testing identified errors which the Council amended. They had a small net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors to the DWP in a qualification letter. The following are the main issues we included:

- incorrect child tax credit income
- incorrect eligible rent
- misapplication of Rent Officer determination
- incorrect award of backdated benefit
- incorrect application of private/ occupational pensions
- misclassification of eligible and technical overpayments
- misclassification of local authority error overpayments

Summary of 2012-13 certification report

National non-domestic rates return

Scope of work	Results
Value of return presented for certification	£28,281,721
Limited or full review	Full
Amended	Yes – contribution reduced by £821
Qualification letter	No
Fee – 2012-13	£2,656
Fee – 2011-12	£1,199
Recommendations from 2011-12:	Findings in 2012-13
None	We were initially given incorrect information to support the return which caused delay

The Government runs a system of non-domestic rates using a national uniform business rate. Councils responsible for the scheme collect local business rates and pay the rate income over to the Government. Councils have to complete a return setting out what they have collected under the scheme and how much they need to pay over to the Government.

We found a small number of errors on the national non-domestic rates return but were able to certify the amount payable to the pool without qualification.

2. 2012-13 certification fees

For 2012-13 the Audit Commission replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work for each body. The indicative fee was based on actual certification fees for 2010-11 adjusted to reflect the fact that a number of schemes would no longer require auditor certification. There was also a 40 per cent reduction in fees reflecting the outcome of the Audit Commission procurement for external audit services.

The indicative composite fee for South Bucks District Council for 2012-13 was £26,350. The proposed fee for 2012-13 is £34,315. This compares to a charge of £59,230 in 2011-12.

Claim or return	2011-12	2011-12	2012-13	2012-13
	Actual fee £	2011-12 fee less 40% reduction £	Indicative fee £	Proposed fee £
Housing and council tax benefits subsidy claim	58,031	34,819	24,870	31,659
National non-domestic rates return	1,199	719	1,480	2,656
Annual report, planning, supervision and review ¹				
Total	59,230	35,538	26,350	34,315

Fees fell overall compared to 2011-12 because of the Audit Commission's 40% reduction. However after allowing for the 40% reduction there was an increase in fees for the both the claim and the return. This was because:

- we needed to carry out extensive 40+ testing of the housing benefits claim, greater than was needed in 2010-11, the year which formed the base for the Audit Commission's indicative scale fee. Nevertheless the audit process went smoothly and we are very grateful for the help we received from both the Council's own officers and staff from Northgate, the Council's provider; and
- the initial information we were given to complete our review of the national non-domestic rates return was incorrect and there were delays in getting the correct information and establishing the audit trail. We did not carry out a full review of the return in 2011-12 but this was necessary in 2012-13 (we must do this cyclically).

The proposed fee for 2012-13 takes account of the extra work needed: it is currently subject to Audit Commission review and we will confirm the final figure when it has been agreed with them.

¹ Fees for annual reporting and for planning, supervision and review have been allocated directly to the claims and returns

Looking forward

3. Looking forward

For 2013-14, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2011-12, adjusted for any schemes that no longer require certification. The Audit Commission has indicated that the national non-domestic rates return will not require certification from 2013-14.

The Council's indicative certification fee for 2013-14 is £33,900. The actual certification fee for 2013-14 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2011-12 on individual claims or returns. Details of individual indicative fees are available at the following link:

<http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme/individual-certification-fees/>

We must seek the agreement of the Audit Commission to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2011-12 fee.

The Audit Commission has changed its instructions to allow appointed auditors to act as reporting accountants where the Commission has not made or does not intend to make certification arrangements. This removes the previous restriction saying that the appointed auditor cannot act if the Commission has declined to make arrangements. This is to help with the transition to new certification arrangements, such as those DCLG will introduce for business rates from 1 April 2013.

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SUBJECT:	Joint Anti-Fraud, Bribery and Corruption Policy and Joint Whistleblowing Policy
REPORT OF:	Officer Management Team- Director of Resources Prepared by- Fraud and Compliance Manager (Chiltern DC and South Bucks DC Fraud Partnership)

1. Purpose of Report

- 1.1 To update the current Anti-Fraud and Corruption Policy to a Joint Anti-Fraud, Bribery and Corruption Policy and to update the current Whistleblowing Policy to a Joint Whistleblowing Policy.

2. Links to Council Policy Objectives

- 2.1 Council has a duty to protect the public purse and protecting against fraud and corruption contributes to this. These policies contribute to providing value for money services to the residents of the district.

3. Background

- 3.1 Both Chiltern District Council and South Bucks District Council have existing Anti-Fraud and Corruption Policies. These policies are due for renewal and require updating to reflect changes to legislation.
- 3.2 The attached joint policy has been updated to incorporate the Councils' responsibilities identified in the Bribery Act 2010.
- 3.3 Councils have a responsibility under the Local Government Finance Act to safeguard the public purse and the attached policy details the Councils' proposed corporate approach to address fraud and corruption.
- 3.4 Both councils have whistleblowing policies and procedures that underpin the Anti-Fraud and Corruption Policies.
- 3.5 Whistleblowing is an essential safeguard to individuals to enable them to raise genuine concerns without the fear of any discrimination or detriment to their position.
- 3.6 The attached policy incorporates the latest guidance as recommended by the Charity "Public Concern at Work" and complies with the statutory requirements of the Public Interest Disclosure Act 1998.

4. Summary

- 4.1 Members are asked to consider the proposed Joint Anti-Fraud, Bribery and Corruption Policy and the Joint Whistleblowing Policy and subject to amendments the Audit Committee would like to make, recommends them to full Council for approval.

Officer Contact:	Alistiar Webb 01494 732227 Awebb@chiltern.gov.uk
Background Papers:	

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Chiltern District Council and South Bucks District Council

Anti-Fraud, Bribery and Corruption Policy

1. DEFINITIONS

1.1 Fraud is defined as the illicit gaining of cash or some other benefit by a deception.

The Fraud Act 2006 sets out particular offences:

- Fraud by false representation
- Fraud by failure to disclose information
- Fraud by abuse of position

1.2 The Fraud Act goes on further to establish the principle that there is a liability on company officers and the corporate body itself if an offence is committed with the consent or connivance of officers of the corporate body.

1.3 In addition there need only be an intention to make a gain for themselves or another, or cause loss to another, or expose them to risk. It does not have to be successful or directly result in a gain for the person committing the offence.

1.4 Bribery is defined as the offering or receiving of a financial or other advantage in connection with the improper performance of a position of trust or function expected to be performed impartially or in good faith.

1.5 The Bribery Act 2010 outlines specific offences for individuals.

- An offence of offering, promising or giving a bribe.
- An offence of requesting, agreeing to receive or accepting a bribe.
- Bribery of a foreign public official.
- A corporate offence of “failing to prevent” bribery.

1.6 The corporate offence of failing to prevent bribery would not normally apply to a local authority carrying out its statutory duties. However it would apply to any commercial activity undertaken by the Council or its agents.

1.7 Corruption is defined as the dishonest influencing of actions or decisions.

2. CULTURE OF THE COUNCILS

2.1 Both Chiltern District Council and South Bucks District Council seek to maintain an environment that makes any form of corruption or fraud difficult to perpetrate. All reasonable, practicable steps will be taken to minimise the risk and the effect of fraud and corruption by its Members, staff, customers or clients. The need for appropriate controls is acknowledged and the Councils will seek to sustain such controls in the administrative, financial, operational and IT systems employed in the delivery of external and internal services and management.

2.2 Section 17 of the Crime and Disorder Act 1998 places a general duty on councils to responsibly conduct its duties in a way that they do all that is reasonable to prevent crime and disorder in the area. This means that all policies, strategies, plans and budgets should be considered from the standpoint of their potential contribution to the prevention of crime and disorder.

2.3 Responsibility for the prevention of fraud and corruption rests as much with every member of staff as it does with senior management and Members. It is the responsibility of all managers to ensure that there are appropriate and adequate controls in place within the systems for which they are responsible. Controls will be designed to deter, prevent and detect all forms of fraud and corruption, and also identify a clear pathway for investigation.

2.4 The Councils expect all of their suppliers, contractors, agents and partner organisations and individuals, to act with honesty and integrity and Client Officers will be responsible for monitoring their actions and for ensuring that their terms of reference, agreements and/or contracts include a clause to that effect. They expect all dealings will be conducted on the same basis, and expects Members and staff to lead by example.

2.5 A comprehensive framework of guidance, codes of practice, codes of conduct and regulations with which its members and staff are expected to comply will be maintained. The documents will be available on the intranet and will help to ensure that policies and objectives are achieved in a proper and fair manner.

3. REPORTING OF FRAUD BRIBERY OR CORRUPTION

3.1 All Officers, Members and external partners who have reason to think an irregularity is taking place are encouraged to raise concerns either through normal line managers or directors and, in every case, the Audit Manager.

3.2 Line Managers and Directors must report any matters referred to them to a Director and Chief Executive and, in every case, the Audit Manager. On the same basis any irregularity identified as part of an audit, complaint or ombudsman report should be reported in the same manner as soon as it is identified.

3.3 The Councils have a whistle blowing policy detailing how to raise concerns (either internally or externally) and how the Councils will deal with such concerns. It also details what to do if still dissatisfied.

3.4 The whistle blowing policy confirms that there will be no victimisation of any “whistle blowers” or suppression of information in any instance. Every effort will be made to ensure anonymity and confidentiality is maintained. Any information received anonymously is dealt with in accordance with the Councils’ internal investigation procedures.

3.5 There is, of course, a need to ensure that procedures for reporting and investigating suspected fraud and corruption are not misused. Staff should be aware that maliciously raising false concerns is a disciplinary offence. Similarly appropriate action will be taken against external individuals or organisations having dealings with the council who maliciously raise false concerns.

3.6 The Audit Manager will report all instances of suspected or actual fraud and corruption to the Management Team, providing an initial report to confirm the validity of the complaint. The Audit Manager will report all on-going matters to the audit committee and outcomes will be reported in the annual reports. The Audit Manager will report proven frauds to the external auditors. The Management Team will report all such matters to the Cabinet and relevant Portfolio Holder.

4. MEMBERS

4.1 As elected representatives of the public Council Members have a duty to be fair, honest and open in their roles. They are bound by:

- Government Legislation, Bribery Act, Data Protection Act
- The Council constitution
- The Council standing orders
- Financial and Contracts procedure rules
- Code of practice – members/officers relations
- Locally Adopted codes of conduct, policies and procedures

4.2 Members are expected to adhere to the Seven Principles of Public Life:

- Selflessness

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or their friends.

- Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in their performance of their official duties.

- Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

- Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

- Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

- Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

- Leadership

Holders of public office should promote and support these principles by leadership and example.

4.3 In particular Members are required to declare and register any direct or indirect pecuniary interest by them or their partner(s) in any companies, charitable organisations, voluntary groups or other societies or associations. They are required to abstain from any debate or vote which pertains to matters involving any organisation(s) in which they have an interest and are required to leave the room during such debates.

5. Staff

5.1 All council staff, including permanent or temporary agency staff, will be bound by the Councils' Code of Conduct. Staff who belong to professional bodies shall abide by any Code of Conduct and /or professional ethics issued by those bodies. All staff will be bound by their terms and conditions of employment. Procedure notes, job descriptions and managerial instructions define the role of staff on a day to day basis. Officers are also bound by the Council constitution, financial procedure rules and contract procedure rules.

6. Systems

6.1 The Chief Financial Officer (Section 151 Officer) for each Council has a statutory duty to ensure that proper arrangements are in place to administer the Councils' finances and financial systems. The Council acknowledge this role and support the post holder in his/her duties and consider their advice on changes to the system controls, financial administration and associated rules and regulations.

6.2 Computer systems - the Councils have an ICT Security Policy in place that applies to all staff and Members. Access to computer systems and networks owned or operated by the Councils impose certain responsibilities and obligations and are granted subject to Council policies. Users must not attempt to circumvent or subvert security measures.

6.3 Staff are required to make themselves aware of their responsibilities in relation to the Proceeds of Crime Act, Money and Anti-Money Laundering procedures and in particular the requirement to complete standard forms for any suspicions of money laundering activity to be passed to the Director of Resources. A Money Laundering form will be completed for any cash transaction in excess of £2,000.

6.4 Senior Managers shall ensure that the Council financial procedures comply with the six principles contained within the Bribery Act 2010 namely:

- Proportionate procedures
- Top level commitment
- Risk Assessments
- Due diligence
- Communication (Training)
- Monitoring- Review

6.5 Staff and Members should make themselves aware of the elements of the Bribery Act and register any gifts or hospitalities in the appropriate register. Any attempts to bribe an officer or member shall be reported in accordance with section 3.1 to 3.3 of this policy.

6.6 All instances of Fraud and Corruption shall be reported and decisions taken by the individual Councils. Both Councils will share information on potential and proven fraud or corruption to assist with the prevention and or detection of fraud or corruption.

7. DETECTION INVESTIGATION AND RECOVERY OF LOSS.

7.1 The Council maintains a proactive attitude to the prevention and detection of all forms of fraud and corruption through the use of:

- Management controls
- Internal audits
- External Audit
- Scrutiny by Members (Audit Committee)
- Fraud risk assessments
- Expertise of the Fraud and Compliance Section
- Other specialist resources
- Relevant External Agencies such as DWP and Police
- Training of Staff and Members in Anti Fraud and corruption measures

7.2 The Councils will make every effort to identify and quantify losses that have occurred as a result of any Fraud or Corruption.

7.3 Recovery of all financial gains obtained as a result of a fraud will be pursued regardless of any other action the Councils may take. Recovery action will include Civil Recovery through the County and High Courts if no other means of recovery can be arranged.

7.4 The Councils will publish a sanction policy detailing the potential outcomes in relation to Benefit Frauds including:

- Warning Letters
- Formal Cautions
- Administration Penalties (Fine)
- Prosecutions

7.5 The Councils' will take part in the National Fraud Initiative Data Matching exercise to identify potential Frauds. The Councils will take every opportunity to data match with outside agencies such as Department of Work and Pensions and housing providers such as L&Q Housing Association wherever the law allows.

This policy is to be reviewed on a biennial basis by the Audit Committee.

February 2014

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Chiltern District Council and South Bucks District Council Whistle Blowing Policy

1. What is Whistle Blowing?

1.1 All of us at one time or another has concerns about what is happening at work. Usually these concerns are easily resolved. If however they are about unlawful conduct, financial malpractice or dangers to the public or environment, it can be difficult to know what to do.

1.2 You may be worried about raising such issues or may keep the concerns to yourself perhaps feeling it is none of your business or you only have a suspicion. You may feel that raising the matter would be disloyal to colleagues, managers or to the Council. You may want to say something but are unsure who to speak to and fear you may speak to the wrong person or raise the issue in the wrong way. You may also use this procedure for raising concerns about any of the Council Councillors.

1.3 The Council adopts this whistle blowing policy (based on the good practice and guidance issued by the independent body “Public Concern at Work”) to enable you to raise your concerns at the earliest stage in the right way. The policy incorporates the provisions that are required from the Public Interest Disclosure Act 1998. The Council would rather your concerns were raised at the earliest opportunity, do not wait to collect proof or wait until others have voiced the same issue.

1.4 If something is troubling you that you think we should know about or look into, please use this procedure. If, however, you are aggrieved about your personal position please use the Grievance Procedure available on the intranet under Local Conditions of Service. This whistle blowing procedure is primarily for concerns where the interests of others or of the Council itself are at risk such as:

- Unlawful activity
- Non-compliance with the Council standing orders or financial procedure rules or its policies
- The unauthorised use of Council funds
- Unauthorised access to Council Records
- Unauthorised disclosure of data information to a third party
- Possible fraud, corruption or financial irregularity
- Below established standards of practice
- Improper conduct
- Related to disclosures of miscarriages of justice
- Damage to the environment
- Sexual or physical abuse of colleagues
- Other unethical conduct

IF IN DOUBT – RAISE IT

2. Our Assurance to you

2.1 The Council and Management Team are fully committed to this policy. If you raise a genuine concern under this policy, you will not be at risk of losing your job or suffer from any form of detriment or discrimination as a result. Providing you are acting in good faith, it does not matter if you are mistaken. This assurance does not cover someone who maliciously raises matters they know are untrue. If you are worried something is happening and you report your worries in good faith you need have no concerns.

2.2 All whistle blowing reports will be treated in confidence. Harassment or victimisation of anyone raising a genuine concern will not be tolerated. We recognise that you may wish to raise a concern in confidence and your identity will be protected. However, should any action require that your identity be revealed we will discuss with you and your consent obtained before any action is taken. While we will consider anonymous reports, this policy is designed to encourage and protect the Whistleblower and is not intended for anonymously raised concerns.

3. How will we handle the matter

3.1 Once you have told us of your concerns, we will look into it to assess initially what action should be taken. This may involve an internal inquiry or a more formal investigation. We will tell you who is handling the matter, how you can contact them and whether you can assist further. If you request we will write to you summarising your concern and setting out how we propose to handle it.

3.2 If you do have any personal interest in the matter we ask that you declare this at the outset. It may be that the issue more properly falls under the Grievance Procedure and we will advise you if that is the case. The purpose of this policy is to investigate concerns related to malpractice and take appropriate action to deal with it. We will give you as much feedback as we properly can and a written response when the investigation has been completed.

4. How to raise a concern internally

Step One

If you have a concern about malpractice, we hope you will feel able to raise this first with your line manager. This may be orally or in writing.

Step Two

If for whatever reason you are unable to raise the matter with your line manager please raise the matter with one of the following officers:

Internal Audit Manager

Geoff Osgathorp

CDC 01494 732085

SBDC 01895 837516

E-Mail: gosgatho@chiltern.gov.uk

E-mail: geoff.osgathorp@southbucks.gov.uk

Fraud and Compliance Manager

Alistair Webb

CDC 01494 732227

E-Mail: awebb@chiltern.gov.uk

Chief Executive

Alan Goodrum

CDC 01494 732001

SBDC 01895 837340

E-Mail: agoodrum@chiltern.gov.uk

E-mail: alan.goodrum@southbucks.gov.uk

Director of Resources

Jim Burness

CDC 01494 732095

SBDC 01895 837217

E-Mail: jburness@chiltern.gov.uk

E-Mail: jim.burness@southbucks.gov.uk

Principal Personnel Officer

Judy Benson

CDC 01494 732015

SBDC 01895 837288

E-Mail: jbenson@chiltern.gov.uk

E-Mail: judy.benson@southbucks.gov.uk

Please say if you wish to raise your concern in confidence so they can make appropriate arrangements.

If these channels have been followed and you still have concerns, or if you feel the matter is so serious that you cannot discuss it with any of the above, please contact the appropriate leader of the council.

Independent Advice

If you are unsure about using this procedure or you want to take independent advice at any stage, you may contact the independent charity "Public Concern at Work"

Telephone advice (020 7404 6609) is available 9am- 6pm Monday to Friday. Alternatively e-mail: whistle@pcaw.org.uk.

If you are dissatisfied

If you are unhappy with our response, remember you can go to other levels and bodies detailed in this policy. While we cannot guarantee that we will respond to all matters in the way that you might wish your concern will be reviewed fairly and properly.

This policy is to be reviewed on a biennial basis by the Audit Committee.

February 2014

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SUBJECT:	Single Fraud Investigation Service
REPORT OF:	Officer Management Team- Director of Resources Prepared by- Fraud and Compliance Manager (Chiltern DC and South Bucks DC Fraud Partnership)

1. Purpose of Report

1.1 This report details the Department for Work and Pension's (DWP) intentions to create a Single Fraud Investigation Service (SFIS) to carry out fraud investigation relating to the majority of welfare benefit frauds. This will include:

- Job Seekers Allowance;
- Employment Support Allowance;
- Income Support;
- Tax Credits;
- Housing Benefit;
- Council Tax Benefit - for retrospective frauds where Council Tax Benefit was in payment at the time;
- Disabled Living Allowance;
- Personal Independent Payments; and
- Universal Credit.

2. Links to Council Policy Objectives

2.1 Council has a duty to protect the public purse and protecting against fraud contributes to this. The effective prevention and detection of fraud contributes to Council priorities for example prevention of fraud can encourage cohesive and strong communities.

3. Background

3.1 The Fraud & Error Strategy: Tackling fraud and error in the benefit and tax credits systems contained a commitment to establish a Single Fraud Investigation Service (SFIS) to investigate Social Security welfare benefit & Tax Credit fraud across Local Authorities (LA), HM Revenue and Customs (HMRC), and DWP. The strategy, including SFIS, was given Home Affairs clearance in October 2010.

3.2 In 2011 an agreement was reached to test and review an interim partnership approach for a Single Fraud Investigation Service. In 2012 four SFIS pilots began to test a variety of partnership approaches and a single set of policies and procedures to help identify the best delivery model. An additional pilot began in April 2013 to support Universal Credit (UC) and a further four pilots will go-live shortly.

3.3 These pilots have been in operation for a short timescale and feedback from the pilots indicates that there is minimal data available to evaluate their impact. Despite this, in October 2013 the Department for Work and Pensions wrote to local authority Chief Executives to state that they will be recommending that SFIS be formed as a single organisation within DWP.

4. Impact on South Bucks District Council

- 4.1 The DWP's decision will have a significant impact on local authorities. DWP intend to introduce the Single Fraud Investigation Service (SFIS) in a phased approach in the financial year 2014/15.
- 4.2 DWP estimates that a figure of 860 local authority fraud staff nationally will be incorporated into the new service. This would include managers, investigators, and any support staff directly involved in benefit fraud investigation work.
- 4.3 At South Bucks District Council we currently work in partnership with Chiltern District Council to deliver our approach to fraud. But the following role currently involves an element of fraud investigation work:
- Benefits Policy Officer.
- 4.4 As the partnership team is small and works generically across a number of areas, it is difficult to allocate whole members of staff solely to benefit fraud. The partnership has achieved a number of successful prosecutions and received good publicity.

5. Continuing Areas of Responsibility

- 5.1 South Bucks District Council will still hold the responsibility for the following tasks which are not included in the transfer of work to SFIS. These are:
- Corporate fraud work - This includes internal investigations and anti- fraud activity across all services;
 - Housing tenancy fraud; The Prevention of Social Housing Fraud Act 2013 provides Local Authorities with the powers to Investigate and pursue criminal charges for tenancy frauds such as sub-letting.
 - Council Tax fraud including fraud relating to single persons discounts;
 - Council Tax Support Scheme fraud - South Bucks District council will continue to have a responsibility to investigate fraudulent claims for Council Tax Support;
 - Fraud prevention - To include fraud awareness training and publicity;
 - National Fraud Initiative; To respond and investigate cases referred as a result of NFI or other Data Matching exercises.
 - Interventions and Reviews - identifying error and preventing overpayments; and
 - Housing benefit overpayment recovery: take a proactive approach to recovering benefit overpayments as a direct income to the authority.
- 5.2 There are further areas that the team has identified as potential areas for development in South Bucks District Council's approach to managing the risk of fraud and corruption. These are grouped into those areas that we currently work on and could develop further and those areas that are potential opportunities or where we are likely to experience increased demand in the future.

Areas to Develop Further:

- **Housing and tenancy fraud** -The team currently works closely with local housing associations and our Housing Service but there is potential to develop this relationship further. This is an area that has a high profile currently due to shortages of affordable housing.

- **Staff disciplinary investigations** - The team is involved in carrying out investigations relating to potential disciplinary matters involving employees. In a time of change it is likely that the number of investigations required will increase.
- **Whistleblowing**- During a period of significant change it is essential that the Council has an effective process for dealing with whistleblowing and allegations of corruption. The team currently undertake investigations in this field and are introducing a joint policy across Chiltern DC and South Bucks DC. As above, these are likely to increase as we go through a period of significant change and having the resources to investigate these quickly is an essential part of managing the change process.

Potential Opportunities/Areas of Increased Demand for the Future:

- **Business Rates avoidance schemes** - This is an area that will become more high profile for local authorities as Business Rates retention becomes a main source of funding.
 - **Developing an approach to address fraud risks in other services such as Licensing and Environmental Health** - We believe there is scope to develop this approach across services and reduce the risk of fraud to the Council. This could result in joint operations which can generate positive publicity.
 - **Managing the risk of procurement fraud** - As the way we deliver services is reviewed there is an increased likelihood that more commissioning and procurement will take place. This is an area of high fraud risk and it is essential that the governance surrounding our processes and procedures is secure. The team can be involved in assessing this risk and completing any subsequent investigations.
 - **Declarations of interest** - To support internal investigations, approach to procurement fraud and whistleblowing we are introducing a declaration of interest process that employees will need to complete annually. This needs resources to administer this process.
 - **Breaches in data protection** - If the Council breaches data protection legislation there is a large financial risk in addition to a reputational risk. With significant data being held by South Bucks District Council it is essential that we have the mechanisms in place to carry out an investigation quickly and thoroughly should a potential breach be identified. This could require forensic investigation services which could be an area that would need to be developed.
- 5.3 At some point we will need to ascertain what on-going resources we require to deal with the residual tasks mentioned above across the partnership and to identify what resource could be potentially transferred to the DWP under TUPE arrangements. Although it should be noted that DWP have not yet confirmed if TUPE will apply. The loss of experienced staff would impact on the Council's ability to investigate its remaining commitments and to develop the approach as mentioned above.
- 5.4 The Council currently receives funding towards the cost of fraud administration from DWP. DWP have stated that this funding will remain for 2014/15 as the administration grant will not be affected. No further commitment has been made beyond this. DWP have not identified the amount included in the administration grant that is attributable to fraud but have said that they will endeavour to inform local authorities in time for the commencement of budget setting for 15/16. However DCLG have stated that funding will be available to address corporate fraud. If South Bucks DC what to retain resources to carry out the corporate fraud and compliance tasks there may be financial implications in the future but this needs to be weighed up against the potential loss from fraud and error.

- 5.5 DWP will only undertake the fraud investigations in relation to Housing Benefit and the Council will continue to administer Housing Benefit and Council Tax Support. SFIS will not be involved in any preventative measures. Cases referred to SFIS will be subject to the national policy and procedures. There will be no ability for Councils to input or influence the national policies or have any input on individual cases. South Bucks DC will not be made aware of on-going investigations that may result in large benefit overpayments, but will still have the responsibility of actioning any changes and recovering the outstanding overpayment.
- 5.6 DWP have not explained how they will liaise or fund Councils to obtain information on Housing Benefit as the SFIS will have no direct access to local housing benefit records. Obviously in order to pursue an investigation in to Housing Benefit fraud they will need a large amount of information with regard to the claim.
- 5.7 DWP have advised that their investigators will be unable to share information or be involved in local fraud investigations concerning Council Tax Support or any other issue. This could lead to a customer being prosecuted for the same offence in relation to different benefits at different times and with different evidence.
- 5.8 At this stage there are many unanswered questions and concerns. Unison have expressed concerns about the decision-making process and have written to LAs to ask them to express dissatisfaction about the lack of consultation. This letter is enclosed as Appendix One. LAIOG have also expressed concern about the future plans and written to all Chief Executives. This letter is enclosed as Appendix 2.

6. Options

- 6.1 This report is submitted to Audit Committee to raise awareness of the situation and the potential impact. Although decisions are not yet finalised and timescales are uncertain. The Council needs to evaluate potential options for the future and consider the following points:

Does South Bucks District Council intend to continue to undertake proactive fraud and error prevention work in respect of Housing Benefit, Council Tax Support and Council Tax discounts and exemptions? - If so we will need to continue our involvement in the partnership and the experienced staff to fulfil this role.

Does the Council support the intention to develop the role of the partnership with Chiltern District Council Fraud and Compliance Team as included in the draft Customer Services 2014/15 Service Plan and detailed in paragraph nine above to build our approach to fraud? - The Council will continue to be responsible for investigating Council Tax Reduction Frauds and has a statutory duty under the Local Government Finance Act to protect the Public Purse.

Should South Bucks District Council continue with informal investigation activity to identify errors and pursue recovery action? In preference to referring the fraud to DWP who will chose whether or not to investigate and we would need to wait for the outcome before auctioning any change to benefit.

Another option would be to wind down our approach to fraud and to discontinue the partnership with Chiltern District Council making a decision not to pursue fraudulent activity in other areas. Obviously although this would generate savings in relation to staffing costs relating to the partnership there is a cost to the Council in terms of not identifying overpayments, not recovering overpayments and potential subsidy loss.

Another option to explore is the potential for a county wide fraud team looking at the residual roles after SFIS on a county wide basis. We are exploring this with other Bucks fraud teams and local benchmarking groups and feel that the partnerships are in a good position to lead on this. We have experience in corporate fraud and working across councils and so would welcome the Audit Committee's support to explore this further.

7. Next Steps

- 7.1 The Service would welcome Audit Committee's views on the potential impact and the options available to the Council. Once timescales and actions are agreed with DWP, a report will be prepared detailing the impact and options available in order that a final decision can be taken. The Audit Committee's views will help inform that report.

8. Summary

- 8.1 Members are asked to note and comment on the potential impact of the introduction of a Single Fraud Investigation Service from a date to be confirmed in 2014/15.

Officer Contact:	Alistiar Webb 01494 732227 Awebb@chiltern.gov.uk
Background Papers:	

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SBDC AUDIT COMMITTEE WORK PROGRAMME

Members are asked to consider whether there are any items they wish to add to, or move within, the proposed work programme

Topic	Frequency	Jun 14	Sept 14	Jan 15	Mar 15
Risk Management					
Risk Management Update	Annual				
Assurance Statements					
Standards of Conduct Report	Annual				
Annual Governance Report	Annual				
Update on Governance / Internal Control Issues	As and when				
Internal Audit					
Audit Plan	Annual				
Interim Progress Reports	Each meeting				
Annual Internal Audit Report	Annual				
Fraud & Corruption Report	Annual				
External Audit					
Appointment of Charity Auditors	As necessary				
Annual Audit Plan	Annual				
External Audit Results Report	Annual				
Certification of Claims & Returns Report	Annual				
Annual Audit Letter (Sent out by email to all Members)	-				
Statement of Accounts					
Approval of Main Accounts	Annual				
Approval of Farnham Charitable Trust Accounts	Annual				
Other					
Contract & Financial Procedure Rules	As necessary				
Training	As necessary				
Work Programme	Each meeting				

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**SOUTH BUCKS DISTRICT COUNCIL
STANDARDS WORK PROGRAMME
2013/2014**

	Contact	2013			2014		
		17.01.13	28.03.13	19.09.13	05.12.13	27.03.14	03.07.14
17.01.13							
• Role of the Independent Member	Joanna Swift	X					
• Draft Standards Work Programme 2013	Joanna Swift	X					
28.03.13							
• Complaints monitoring report 2012/13	Joanna Swift		X				
• Protocol on Discharge of Monitoring Officer functions	Joanna Swift		X				
19.09.13							
• Standards framework update	Joanna Swift			X			
• Review of Dispersions Procedure	Joanna Swift			X			
• Protocol with Thames Valley Police on Alleged Offences under the Localism Act section 34				X			
05.12.13							
• Subscription to Standards Exchange	Joanna Swift				X		
• Review of Work Programme	Joanna Swift				X		
27.03.14							
• Complaints Monitoring Report 2013/14							
• Review of Code of Conduct and Complaints Procedure							
03.07.14							
• Complaints Monitoring Report 2013/14	Joanna Swift						X
• Review of Code of Conduct and Complaints Procedure	Joanna Swift						X

Audit Plan

Year end 31 March 2014

South Bucks District Council

March 2014

Ernst & Young LLP





Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE
Tel: +44 118 928 1599
Fax: +44 118 928 1101
MGrindley@uk.ey.com



Audit Committee
South Bucks District Council
Capswood
Oxford Road
Denham
BUCKS UB9 4LH

14 March 2014

Dear Members

Audit Plan

We are pleased to attach our Audit Plan, which sets out how we intend to carry out our responsibilities as your auditor. The purpose of this report is to provide the Audit Committee with a basis for reviewing our proposed audit approach and scope for the 2013-14 audit in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements. It also ensures that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key risks which drive the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you on 27 March 2014, as well as to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Maria Grindley
For and behalf of Ernst & Young LLP
Enc

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1. Overview

Context for the audit

This audit plan covers the work that we plan to perform in order to provide you with:

- ▶ Our audit opinion on whether the financial statements of South Bucks District Council give a true and fair view of the financial position as at 31 March 2014 and of the income and expenditure for the year then ended; and
- ▶ A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return, to the extent and in the form required by them.

In planning the audit we take into account several key inputs:

- ▶ strategic, operational and financial risks relevant to the financial statements;
- ▶ developments in financial reporting and auditing standards;
- ▶ the quality of systems and processes;
- ▶ any changes in the business and regulatory environment; and
- ▶ management's views on all of the above.

This means that our audit is focused on the areas that matter, and so our feedback is more likely to be relevant to you.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

We have identified a significant risk to the opinion on the financial statements, the risk of management override. This is set out in detail in part 2 of this report. We will provide an update to the Audit Committee on the results of our work on this in our report to those charged with governance. This is scheduled for delivery in September 2014.

Our process and strategy

▶ Financial Statement Audit

We will apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. We set our materiality based on the Council's level of gross expenditure. We also consider the size of useable reserves, the Council's financial position, its public profile and the reporting and challenge history. Our audit is designed to identify errors above materiality.

- ▶ We aim to rely on the Council's internal controls in the key financial systems to the fullest extent allowed by auditing standards. We identify the controls we consider important and seek to place reliance on internal audit's testing of those controls. Where control failures are identified we consider the most appropriate steps to take.
 - ▶ We seek to place reliance on the work of internal audit wherever possible. We have already liaised with Internal Audit and have begun our review and re-performance of their work.
 - ▶ The key members of our audit team are Maria Grindley, Director; Susan Gill, Manager; and Clare Hodges, Team Leader. Clare has just taken on the role of Team Leader at Chiltern District Council as well, which means we have team consistency across the audits of South Bucks and Chiltern District Councils.
- ▶ Arrangements for securing Economy, Efficiency and Effectiveness

We adopt an integrated audit approach: our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

We have not identified any specific risk areas which require us to undertake any additional work to address theme.

2. Financial Statement Risks

We outline below our assessment of the financial statement risks facing you, identified through our knowledge of your operations and discussion with members and officers.

We aim to validate these with you at our meeting.

Significant risks (including fraud risks)	Our audit approach
Risk of management override	
<p>As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud. This is because of its ability to manipulate accounting records (directly or indirectly) and to prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ testing the appropriateness of journal entries in the general ledger and other adjustments made in the preparation of the financial statements; ▶ reviewing accounting estimates for evidence of management bias; and ▶ evaluating the business rationale for significant unusual transactions.

Respective responsibilities in relation to fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements caused by either error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility of a material misstatement due to fraud, and design the appropriate procedures to consider such a risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ identifying fraud risks during the planning stages.
- ▶ asking management about the risks of fraud and controls to address those risks.
- ▶ understanding how those charged with governance oversee management's processes over fraud.
- ▶ considering the effectiveness of management's controls designed to address the risk of fraud.
- ▶ determining an appropriate strategy to address those risks.
- ▶ performing mandatory procedures, regardless of specifically identified fraud risks.

We will consider the results of the National Fraud Initiative and may refer to it in our report.

3. Economy, Efficiency & Effectiveness

Our work will focus on:

1. Whether there are proper arrangements for securing financial resilience at South Bucks District Council; and
2. Whether there are proper arrangements at the Council to secure economy, efficiency and effectiveness in the use of resources.

In line with our statutory duty, we are required to conclude whether or not there are any matters arising from our value for money work that we need to report.

We have identified no significant risks requiring us to undertake any specific risk-based work. If there should be any changes to our risk assessment we will in the first instance discuss them with the Head of Finance.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code'), dated March 2010, our principal objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code, your:

- i) financial statements; and
- ii) arrangements for securing economy, efficiency and effectiveness in your use of resources.

We issue a two-part audit report covering both of these objectives.

i) Financial Statement Audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on your Whole of Government Accounts return.

ii) Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, as far as possible we will place reliance on the reported results of other statutory inspectorates on corporate or service performance. In examining the Council's corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and improving efficiency and productivity.

4.2 Audit process overview

Our audit involves:

- ▶ assessing the key internal controls in place and testing the operation of these controls;
- ▶ review and re-performance of the work of your internal auditors;
- ▶ reliance on the work of other auditors where appropriate;
- ▶ reliance on the work of experts in relation to areas such as pensions and valuations; and
- ▶ substantive tests of detail of transactions and amounts.

Processes

Our initial assessment of the key processes across the entity has identified the following key processes where we will seek to test key controls, both manual and IT:

- Accounts receivable
- Procure to pay
- Cash and bank
- Business rates
- Council tax
- Housing Benefits
- Payroll
- Financial closedown procedures

As the payroll process is outsourced to Aylesbury Vale District Council, we will get assurance from their auditors.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular for payroll, cash payments and receipts and journal entries. These tools:

- help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

As in previous years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports - together with reports from other work completed in the year - in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements.

Use of experts

We will use specialist EY resource, as necessary, to help us to form a view on judgments made in the financial statements. Our plan currently includes the involvement of specialists in pensions, valuations, and financial reporting.

Mandatory procedures required by auditing standards

In addition to the financial statement risks outlined in section 2, we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

- ▶ Addressing the risk of fraud and error. Significant disclosures included in the financial statements.
- ▶ Entity-wide controls.
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements.

- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting as appropriate, other information published with the financial statements, including the Annual Governance Statement and the Remuneration Report.
- ▶ Reviewing and reporting on the Whole of Government accounts return, in line with the instructions issued by the NAO.
- ▶ Reviewing, and where appropriate examining, evidence relevant to your corporate performance management and financial management arrangements and reporting on these arrangements.

4.3 Materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We are happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

ISA (UK & Ireland) 450 (revised) requires us to record all misstatements identified except those that are “clearly trivial”. We intend to treat misstatements less than £33,600 as clearly trivial. All uncorrected misstatements found above this amount will be presented to you in our year-end report.

4.4 Fees

The Audit Commission has published a scale fee for all authorities. This is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of the Council is £55,632, the same figure as in 2012/13.

The Commission has also set a separate scale fee of £33,900 for our work on grant certification: The scale fee for 2012/13 was £26,350, however an additional scale fee variation was agreed by the Audit Commission of £7,965 making the total fee for 2012/13 £34,315.

4.5 Your audit team

The engagement team is led by Maria Grindley, who has significant experience of public sector auditing, including South Bucks District Council. Maria is supported by Susan Gill, who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the chief accountant.

4.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government accounts; and the deliverables we have agreed to provide to you through the audit committee cycle in 2013-14. These dates are determined to ensure our alignment with the Audit Commission’s rolling calendar of deadlines.

We will provide a formal report to the Audit Committee in September 2014 on our year-end procedures. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an annual audit letter to communicate to you and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning:	December-February	April 2013	Audit Fee letter
Risk assessment and setting of scopes	December-February	March 2014	Audit Plan
Testing of routine processes and controls	February-March		Interim results report (if required)
Year-end audit	August – September		
		September 2014	Report to those charged with governance
			Audit report (including our opinion on the financial statements and a conclusion as to whether you have proper arrangements for securing economy, efficiency and effectiveness in your use of resources).
			Audit completion certificate
	Oct		Annual Audit Letter
Grant claim certification	Nov	January 2015	Report to those charged with governance

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission’s Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. However we have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

Self- interest threats

A self- interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved and that comply with the Audit Commission's Standing Guidance.

A self- interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard 4.

There are no other self- interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of the management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall, we consider that the safeguards adopted appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Maria Grindley, your audit engagement partner, and the audit engagement team have not been compromised.

5.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 28 June 2013 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2013>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2013-14 £'000	Actual Fee 2012-13 £'000	Explanation of variance
Total Audit Fee – Code work	55,632	55,632	
Certification of claims and returns*	33,900	34,315*	
Non-audit work (provide details)	0	0	

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables
- ▶ We are able to place reliance on the work of internal audit, as originally planned
- ▶ The level of risk in relation to the audit of accounts is consistent with that in the prior year
- ▶ No significant changes are made by the Audit Commission to the use of resources criteria on which our conclusion will be based
- ▶ Our accounts opinion and use of resources conclusion are unqualified
- ▶ Appropriate quality of documentation is provided by the audited body
- ▶ There is an effective control environment

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with you in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

*Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission of £26,350 plus a scale fee variation of £7,965 making a total fee for 2012/13 of £34,315..

Appendix B UK required communications with those charged with governance.

There are certain communications that we must provide to the audit committee of audited clients. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit including any limitations.</p>	Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Report to those charged with governance
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Report to those charged with governance
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Report to those charged with governance
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Report to those charged with governance
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Report to those charged with governance
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry to the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements that they may be aware of 	Report to those charged with governance
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity</p>	Audit Plan Report to those charged

Required communication	Reference
<p>and independence</p> <p>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>For listed companies, communication of minimum requirements as detailed in the ethical standards:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the audited body and senior management ▶ Services provided by EY that may reasonably bear on the auditors’ objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the ethical standards ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	<p>with governance</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Report to those charged with governance</p>
<p>Significant deficiencies in internal controls identified during the audit</p>	<p>Report to those charged with governance</p>
<p>[Opening Balances (initial audits)]</p> <ul style="list-style-type: none"> ▶ Findings and issues regarding the opening balance of initial audits 	<p>Report to those charged with governance</p>
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<p>Grant certification report to those charged with governance, and Annual Audit Letter if necessary</p>
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	<p>Audit Plan</p> <p>Report to those charged with governance and Annual Audit Letter if necessary</p>

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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