

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 15 January 2015 (1 - 4)
3. **Standards Work Programme**
To consider report of the Director of Resources. (5 - 6)
4. **Internal Audit Progress Report**
To consider report of TIAA. (7 - 16)
5. **Internal Audit Strategic Plan 2015/16 to 2019/201 and Annual Internal Audit Plan 2015/16**
To consider report of TIAA. (17 - 40)
6. **External Audit Annual Plan**
To consider report of Ernst and Young. (41 - 60)
7. **Introduction of Single Fraud Investigation Service**
To consider report of the Director of Resources (61 - 64)
8. **Work Programme**
To receive the current work programme of the Audit Committee. (65 - 66)
9. **Any Other Business**
To consider any other business which the Chairman decides is urgent.

The next meeting is due to take place on 18 June 2015

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AUDIT COMMITTEE**Meeting - 15 January 2015**

Present: Mr Hardy (in the Chair)
Mr Anthony, Mr Bradford and Mrs Wallis

Also Present: Chris Harris – TIAA (Internal Auditor)
Sue Gill- Ernst and Young (External Auditor)

Apologies for absence: Mr Hollis and Dr A Dhillon

22. MINUTES

The minutes of the meeting of the Committee held on 18 September 2014 were confirmed and signed by the Chairman.

23. DRAFT STANDARDS WORK PROGRAMME 2015/16

The Committee considered the draft standards work programme for 2015/16.

The Committee were provided with an update on the standards training which would take place as part of the Member Induction Programme following the May 2015 election.

RESOLVED that the standards work programme for 2015/16 be approved.

24. APPOINTMENT OF INDEPENDENT PERSON

The Committee received a report which asked Members to consider arrangements for the appointment of an Independent Person following the resignation of one of the current post holders.

The Council on 24 July 2012 appointed Mrs Jitinderpal Nandhra and Mr Trevor Dobson as Independent Persons for a 5 year term. Unfortunately, due to a change of personal circumstances Mrs Nandhra tendered her resignation with effect from 31 December 2014. The second Independent Person, Mr Dobson, continues to be available to advise the Council. However, the need to appoint two Independent Persons in case of absence or conflicts of interest was acknowledged by Council in 2012 and is also considered to be best practise.

A job description and person specification for the Independent Persons role was agreed by the Council in 2012 and was attached at Appendix 1 to the report. The Committee were advised that this remains relevant and appropriate for use in seeking applicants to fill this vacancy.

If the Committee agreed to proceed, an advert would be placed in local papers inviting applications and also published on the Council's website, together with information about the standards framework, guidance on the statutory criteria and an application form. It was recommended that applicants be interviewed by a panel comprising the Director of Resources, Monitoring Officer and Chairman of this Committee with a view to the Director of Resources recommending an appointment to Full Council on 21 April 2015.

RESOLVED that

1. agreement be given to advertise for an Independent Person to fill the current vacancy.

2. the job description and person specification set out at Appendix 1 be approved for recruitment purposes.
3. the Director of Resources in consultation with Chairman of Audit Committee and the Monitoring Officer be authorised to make a recommendation for appointment to Full Council following receipt of applications and interviews.

25. **SOUTH BUCKS FRAUD BRIEFING**

The Committee received a presentation by Ernst & Young LLP entitled 'Protecting the Public Purse Fraud Briefing 2014' which was produced by the Audit Commission.

The purpose for the fraud briefing was as follows:

- To provide an information source to support councillors in considering their fraud detection activities
- To extend an opportunity for councillors to consider fraud detection performance, compared to similar local authorities
- To give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed
- To be a catalyst for reviewing the Council's current strategy, resources and capability for tackling fraud

After an explanation on interpreting fraud detection results, the briefing set out the local context for South Bucks in 2013/14 comparing the fraud detection results for South Bucks and statistical neighbours and other districts in the county.

The briefing then highlighted the issue of housing tenancy fraud. The Prevention of Social Housing Fraud Act 2013 criminalises tenancy fraud and gives councils investigatory powers and the ability to prosecute tenancy fraudsters on behalf of housing associations. The importance of working in partnership with local housing associations on this issue was stressed.

The briefing then set out information on the detection of the following other types of fraud in South Bucks comparing the fraud detection results for South Bucks and statistical neighbours and other districts in the county:

- Procurement
- Insurance
- Economic and third sector
- Internal

The Committee were advised by the Head of Customer Services that from the 1 March the Council's responsibility for investigating housing benefit fraud would be transferred to Department for Work and Pensions (DWP). The work in detecting and preventing housing benefit fraud is done under a joint agreement with Chiltern District Council. The local priorities for the fraud team going forward were now:

- Council tax
- Council Tax Support Scheme
- Error in case loads e.g. not declaring a change of circumstances
- Housing tenancy fraud
- Business rate avoidance

Whilst the bid to DCLG to look at a County wide approach to fraud had not been successful, the Council would continue to look into options for collaborations on fraud prevention in the future.

It was noted that an annual update on fraud had been added to the Audit Committee's work programme.

RESOLVED that the briefing be noted.

26. **JOINT RISK MANAGEMENT STRATEGY AND GUIDANCE REPORT**

The Committee received a report seeking approval for the Joint Risk Management Strategy and Risk Management Guidance.

As a result of the shared service arrangement between Chiltern and South Bucks District Councils many corporate documents have been reviewed with joint strategies and protocols put in place. The two authorities' Risk Management Strategies and Risk Management Guidance have accordingly been reviewed and a Joint Risk Management Strategy and Guidance note was attached at Appendix 1. The Committee were advised that no fundamental changes in principle or approach have been made to the new strategy and guidance and that the changes being made were operational in nature. Both Audit Committees were being asked to approve the joint document.

In response to a question, the Committee were provided with information on the Council's business continuity plan.

RESOLVED that the Joint Risk Management Strategy and Risk Management Guidance be approved.

27. **INTERNAL AUDIT PROGRESS REPORT**

The Committee considered an Internal Audit progress report from TIAA including details of the audits carried out since 1 April 2014 set out in a table in paragraph 4 of the appendix, which also set out changes to the annual plan 2014/15, as well as progress against the annual plan for 2014/15.

The Committee noted with concern the priority one recommendation which had been made following the additional audit of Environmental Services. The Committee made some suggestions regarding the need for extra controls to be put in place and asked that these be fed back to the Head of Service. The Committee requested that an update on progress be submitted to a future meeting.

RESOLVED that the progress against the Internal Audit Plan and findings arising from the Internal Audit Work be noted.

28. **COMPARISON OF INTERNAL AUDIT ASSURANCE LEVELS**

The Committee received a report from TIAA providing a comparison of assurance levels for the various systems audited between the years 2011/12, 2012/13 and 2013/14 as set out in a table in paragraph 2 of the Appendix.

Whilst the trend indicates a reduction in the assurance levels from 2011/12 to 2012/13, this has not continued into 2013/14 as there has been a slight increase in the number of substantial assurance audits in 2013/14. The Committee were advised that at this time there was no indication that the overall control framework at South Bucks had significantly reduced as a result of the joint working with Chiltern Council and the transformation arising from the service reviews. Further trends would be undertaken at the end of 2014/15 financial year.

RESOLVED that the report be noted.

29. **AUDIT WORK PROGRAMME**

The Committee considered the draft audit work programme for 2015/16.

RESOLVED that the audit work programme for 2015/16 be approved

30. **ANY OTHER BUSINESS**

None

31. **CERTIFICATION OF CLAIMS AND RETURNS REPORT 2013-14**

Section 28 of the Audit Commission Act 1998 requires auditors to certify specific claims and returns.

The Committee received a report from Ernst and Young LLP which set out the findings of the review carried out in 2013/14 into Housing Benefits Subsidy Claims. The proposed fee for 2013-14 was £22,957, compared to an indicative fee of £29,832. The reduction from the indicative fee reflects the removal of council tax benefit from the scheme and the fact that the auditors needed to do significantly less work than in 2011-12, which was the base year for setting the scale fee.

RESOLVED that the report be noted.

32. **EXEMPT INFORMATION**

The Chairman to move the following resolution:-

“That under Section 100(A)(4) of the Local Government Act 1972 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”

33. **EXTERNAL AUDIT CONTRACT FOR THE FARNHAM PARK PLAYING FIELDS**

(Para 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information))

The Committee received a report which updated Members on quotations received on the contract for the External Audit of the Farnham Park Playing Fields Charitable Trust for a three year period commencing with the Accounts for 2014/15.

The Committee were advised that two companies had submitted tenders for this contract, details of which were set out in the report. The comments of the Committee were sought before the Head of Finance and the Director of Resources exercises the authority delegated to them under the Contracts Procedure Rules to award a contract for the External Audit of the Farnham Park Playing Fields Charitable Trust.

Having considered the submissions, the Committee endorsed the Officers' recommendation to award the contract to Wilkins Kennedy as it was the most economically advantageous.

RESOLVED that the report be noted.

The meeting terminated at 7.05 pm

SOUTH BUCKS DISTRICT COUNCIL

STANDARDS WORK PROGRAMME

2015/2016

		2015			2016
	Contact	18.06.15	01.10.15	21.01.16	17.03.16
18.06.15					
<ul style="list-style-type: none"> Complaints Monitoring Report 2014/15 Review of Standards Training for new councillors 	Joanna Swift Joanna Swift	X X			
01.10.15					
<ul style="list-style-type: none"> Annual Review of Code of Conduct and Complaints Procedure Subscription to Standards Exchange 	Joanna Swift Joanna Swift		X X		
21.01.16					
<ul style="list-style-type: none"> Review of Guidance on Dispensations Appointment of Independent Member 	Joanna Swift Joanna Swift			X X	
17.03.16					
<ul style="list-style-type: none"> Update on Standards Framework Review of work programme 2016/17 	Joanna Swift Joanna Swift				X X

South Bucks Council

Internal Audit Progress Report

2014/15

Audit Committee: 12 March 2015



INTRODUCTION

1. This summary report provides the Audit Committee with an update on the progress of our work at South Bucks District Council as at 18 February 2015. The report is based on internal audit work carried out by TIAA and management representations that have been received during the period since 1 April 2014.

PROGRESS AGAINST THE 2014/15 ANNUAL PLAN

2. Our progress against the Annual Plan for 2014-15 is set out in Appendix A.

EMERGING GOVERNANCE, RISK AND INTERNAL CONTROL RELATED ISSUES

3. We have not identified any emerging risks which could impact on the overall effectiveness of the governance, risk and internal control framework of the Council. The action plans and management responses to our audit work for priority 1 and 2 recommendations for the period from 5 December 2014 to 20 February 2015 is shown in Appendix B.

AUDITS CARRIED OUT SINCE THE 5 DECEMBER 2014

4. The table below sets out details of audits carried out since our last report to the Audit Committee.

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OE
Creditors	Substantial	2 December 2014	4 December 2014	8 December 2014	-	-	1	-
Main Accounting	Reasonable	4 December 2014	8 December 2014	18 December	-	1	5	-

				2014				
Debtors	Reasonable	19 January 2015	21 January 2015	27 January 2015	-	3	3	2

CHANGES TO THE ANNUAL PLAN 2014/15

6. The following changes to the annual audit plan for 2014/15 have been made:
- a) An audit from 2013/14 (**Environmental Services – 2013/14**) has had additional work undertaken at the request of the client in 2014/15.
 - b) Community Grants has now been cancelled for the 2014/15 plan and will be undertaken in 2015/16. This has arisen due to the timing of Grants and system changes.
 - c) Data Protection and Freedom of Information will now become two audits. Due to system changes this audit has been cancelled from the 2014/15 audit plan. The Freedom of Information audit will now take place during 2015/16.

FRAUDS/IRREGULARITIES

7. We have not been advised of any frauds or irregularities in the period since the last summary report was issued.

LIAISON WITH EXTERNAL AUDIT AND THE CLIENT

8. We continue to liaise with EY and have made available working paper files and the report on key financial systems. Regular meetings are held with the Audit Manager for the client.

PROGRESS ACTIONING PRIORITY 1 RECOMMENDATIONS

9. There are no Priority 1 recommendations to report at this time.

RESPONSIBILITY/DISCLAIMER

10. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Progress against the Annual Plan for 2014/15

System	Planned Quarter	Days	Current Status	Comments
Environmental Services – 2013/14 additional work	2014/15 Q1	4	Final Report issued November 2014	An additional audit for 2014/15
HR Issues arising from Service Reviews	1	5	Audit in progress	
Community Grants	1	5	Audit now cancelled from 2014/15	Revised date for audit to be determined. Audit now cancelled from 14/15. Will be undertaken early 15/16
Absence Management	1	5	Final report issued November 2014	
Licensing	1	6	Final report issued October 2014	
Data Protection/FOI	2	5	Audit now cancelled from 2014/15	A new system is being installed to manage this area. An audit will be progressed once this is in place. Audit now cancelled from 14/15. Will be undertaken early 15/16
Procurement	2	5	Drafting report	
Farnham Park – Stock Control	2	5	Audit complete – guidance provided on procedures	No formal report issued
Housing Grants(energy efficiency)	2	5	Audit Postponed until Q4	Audit to undertaken during March
Payroll	2	8	Draft report issued February 2015	Audit for 14/15 will not include Wycombe and Aylesbury Vale Councils
Joint Working (with CDC)	2	8	Draft report issued January 2015	
Main Accounting	3	5	Final report issued December 2014	
Debtors	3	6	Final report issued January 2015	

System	Planned Quarter	Days	Current Status	Comments
Creditors (inc VAT)	3	6	Final report issued December 2014	
Housing Benefits	3	6	Drafting report	
Council Tax Support	3	6	Drafting report	
Cash and Bank and Treasury Management	3	6	Audit fieldwork in progress	
Council Tax and NDR	3	12	Audit fieldwork in progress	
ICT contingency time	3	15	Audit fieldwork in progress	
Governance	4	5	Audit fieldwork in progress	
Car Parking	4	6	Audit to commence early in March	
Audit Follow up	4	4	Audit is undertaken in Q1 of 15/16	
Annual Audit Letter	4	1		
TOTAL		139		
Management time		15		
GRAND TOTAL		154		

KEY:

	=	To be commenced
	=	Site work commenced
	=	Draft report issued
	=	Final report issued

Classification:
OFFICIAL



South Bucks District Council
Internal Audit Progress Report

2014/15

AUDITS FINALISED SINCE LAST AUDIT COMMITTEE

Title of review:	Main Accounting
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Date issued:	December 2014
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Rec.	Control	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
4	Compliance	Internal audit completed a review of significant financial subsidiary feeder system reconciliations' to the Integra General ledger, for both CDC and SBDC. Audit testing confirmed that the 2014/15 monthly payroll and creditor reconciliations are completed and independently reviewed on a timely basis. For both CDC and SBDC the debtor reconciliations were last completed as at 31st March 2014. It was noted that a recommendation was raised in the previous audit report to ensure that the Sales Ledger reconciliations are carried out on a quarterly basis. As at the date of the audit, no 2014/15 sales ledger reconciliations had been completed.	For both CDC and SBDC reconciliations between the Integra sales ledger and the Integra General Ledger debtor control account to be undertaken regularly and reviewed by the Principal Accountant.	2	<i>Sales and Purchase ledger reconciliations have had a lower priority during the implementation of the Finance shared service team. It is intended that more regular reconciliations will be completed in 2015/16.</i>	31/03/15	Finance Manager

Title of review:	Debtors
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Date issued:	January 2015
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Rec.	Control	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Compliance	Aged debtor reports are due to be run monthly as part of the period end process in order to review unallocated amounts, instalment arrangements, and generally to identify any cases which might require further follow up action. A general review of the SBDC files confirmed that these are carried out monthly, however it was noted that for CDC reports had not been run in August or October. A recommendation was raised in the previous year's audit report relating to the frequency of running these reports, and as such has been re-iterated here.	Aged debt analysis reports to be run on a monthly basis in order to enable the prompt identification of accounts that require further recovery action to be taken.	2	<i>Aged Debts analysis is now being run for both councils on the first working day of the following month. These are reviewed with the Finance Manager monthly.</i>	<i>Immediate</i>	<i>Sue Watson Finance Manager</i>
4	Compliance	There are internal targets in place for both authorities for the level of outstanding debt more than 120 days overdue (SBDC: £50,000, CDC: £150,000). Reports for November 2014 indicated that the values stood at £82,680 for SBDC and £268,886 for CDC. Discussions with the Finance Manager indicated that this is a particular area which has already been highlighted at	Action to be taken to ensure that the levels of longer term outstanding debt are reduced for both authorities in line with internal targets.	2	<i>An Action Plan has been put in place and staff members working on Debtors have been working towards reducing debt levels over 120 days old as a priority. At the end of December debt over 120 days had been reduced to £75,934 for SBDC and £156,131 for</i>	<i>31/03/15</i>	<i>Sue Watson Finance Manager</i>

Rec.	Control	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
		team meetings as requiring increased focus and attention, with an action plan in place to improve the situation by March 2015.			CDC. <i>Debt levels will continue to be reduced by more pro-active chasing.</i>		
5	Compliance	It was found that reminder reports for SBDC debtor accounts were run in April, July and August 2014, whereas reminder reports are run on approximately a weekly basis for CDC accounts. It was evident that the infrequent running of reminder reports for SBDC had resulted in delays sending out reminder letters and Final Notices. A recommendation was made in the previous year's audit report with respect to the frequency of running reminder reports, and as such has been re-iterated here. Any delay in running reminder reports allows for debts to remain outstanding for a considerable period of time before they are identified as requiring action to be taken.	Ensure that reminder reports are run on a frequent basis to promptly identify outstanding debts that require further action to be taken in order to maximise the income received by the Councils.	2	<i>Due to long term sickness of a member of the Debtors staff reports were not run as frequently as they should have been. This has now resumed and reminders are being issued regularly.</i>	<i>Immediate</i>	<i>Sue Watson Finance Manager</i>



Internal Audit Strategic Plan 2015/16 to 2019/20, and Annual Internal Audit Plan 2015/16

South Bucks District Council

Audit Committee 12 March 2015



February 2015

2015/16



Internal Audit Strategic and Annual Plan

- EXECUTIVE SUMMARY -

INTRODUCTION

1. This Internal Audit Strategic and Annual Plans 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 the strategic plan we have given consideration to the following:
 - The key objectives of South Bucks and Chiltern District Councils and those risks associated with the 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"
 - The frequency of each audit based upon risk and materiality
 - The outcomes of any previous audit work

The Internal Audit Strategic Plan for 2015/16 – 2019/20 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 2015/16 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 and Chiltern District Councils. The strategic plans of both Council's have been prepared to either undertake similar audits for each Council at a similar time or to do a joint audit where the service is shared. 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 and Chiltern District Councils 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 2014/15.
6. In order to obtain the best use of the internal audit resource it is necessary to assess the assurance risk to both Councils of a failure of the governance, risk management and/or 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

<p style="text-align: center;">Major Identified Risks (MIR)</p>	<p>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.</p>
<p style="text-align: center;">Strategic Control Risks (SCR)</p>	<p>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.</p>
<p style="text-align: center;">Internal Control Risks (ICR)</p>	<p>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 both Councils.</p>

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 and Chiltern District Councils’ 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 either 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 the ICT audit programme of work this was identified following a major review of the Councils Computer systems and has been determined by reference to the CIPFA computer audit guidelines and the industry standard for best practice.
11. For both Councils 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.
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TIMINGS

- 12. 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

- 13. 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 senior staff and will be reported to the appropriate Audit Committee.

ASSESSMENT OF THE KEY RISK CONTROL OBJECTIVES

- 14. 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

- 15. 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.
- 16. An Internal Audit Progress Report (IAPR) will be submitted to each meeting of the Audit Committee. The IAPR 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 IAPR also includes a report on progress against the Annual Plan and any proposals for changes to the Annual Plan to reflect emerging priorities.
- 17. 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 either South Bucks or Chiltern Councils' risk management, control and governance processes.



LIAISON WITH THE EXTERNAL AUDITOR

- 18. TIAA will liaise with the Councils' 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

- 19. 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. Each Council is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.
- 20. 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.
- 21. 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.
- 22. 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.
- 23. 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.
- 24. 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 and Chiltern Councils. 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/Chiltern 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.

Annex A

STRATEGIC INTERNAL AUDIT PLAN - 2015/16 TO 2019/20

<u>Description of area to Audit</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>Comments</u>
<i>Main Financial Systems Audits</i>						
Main Accounting	3	3	3	3	3	Key financial system. This is a joint audit with Chiltern
Payroll	7	7	6	6	6	Key financial system. This is a joint audit with Chiltern. Payroll is managed by Aylesbury Vale DC.
Debtors	5	5	5	4	4	Key financial system. This is a joint audit with Chiltern
Creditors	5	5	5	4	4	Key financial system. This is a joint audit with Chiltern
Benefits	5	5	5	4	4	Key financial system. A similar audit will be undertaken at the same time at Chiltern Council
Council Tax Support	5	5	5	4	4	Key financial system. A similar audit will be undertaken at the same time at Chiltern Council

<u>Description of area to Audit</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>Comments</u>
Council Tax and NDR	9	9	9	8	8	Key financial system. A similar audit will be undertaken at the same time at Chiltern Council
Cash & Bank	4	4	4	3	3	Key financial system. This is a joint audit with Chiltern
Treasury Management	3	3	3	3	3	Key financial system. This is a joint audit with Chiltern
Budgetary Control	3		3		3	A periodic audit of the budgetary control arrangements. This is a joint audit with Chiltern
<u>Computer Audit Work</u>						
Commissioning & Programme Management / Project Control				3		Periodic ICT audits. This is a joint audit with Chiltern
Management of Contractors & 3 rd party providers. (Relationship & Performance, service levels)		4			3	Periodic ICT audits. This is a joint audit with Chiltern
ICT Strategy, Policies and Procedures (gap analysis, structure, fit with business objectives, development, content and coverage)				3		Periodic ICT audits. This is a joint audit with Chiltern

<u>Description of area to Audit</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>Comments</u>
Information Security Management in shared service environment (processes, organisational data/information protection, organisational awareness, training, access to info)	3			4		Periodic ICT audits. This is a joint audit with Chiltern
ICT & Information risk management (information risks, compliance, structures, operational effectiveness – combined risk assessments across both Councils)		3			4	Periodic ICT audits. This is a joint audit with Chiltern
Change management (change management procedures in a transition environment and for the future operating environment)		3			4	Periodic ICT audits. This is a joint audit with Chiltern
ICT Security structures / arrangements / file storage and management (access controls to data and information / file storage / protective marking / and retention)		5		4		Periodic ICT audits. This is a joint audit with Chiltern
Regulatory compliance (DPA / FOI / Other)	3		3			Periodic ICT audits. This is a joint audit with Chiltern

<u>Description of area to Audit</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>Comments</u>
ICT Quality & performance management (skills, experience, knowledge – framework for delivery, service provision & delivery)		4			3	Periodic ICT audits. This is a joint audit with Chiltern
Control Assurance of services provided remotely (introduction of cloud provision (e.g. data storage / email) – Project Management)	3		4			Periodic ICT audits. This is a joint audit with Chiltern
IT Management and operational structure (transition and final ICT staffing structures, roles and responsibilities)	3			3		Periodic ICT audits. This is a joint audit with Chiltern
Benefits realisation (of transition to shared service deliverer / provider + user take up / usage / skills / experience & training)			4			Periodic ICT audits. This is a joint audit with Chiltern
ICT Stability during changing environment / processes (Resilience & Disaster Recovery & service continuity)			4			Periodic ICT audits. This is a joint audit with Chiltern

<u>Description of area to Audit</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>Comments</u>
Public Sector Network (PSN) Compliance – local aspects from required outputs (compliance review of significant sample of criteria – pre accreditation)			3		3	Periodic ICT audits. This is a joint audit with Chiltern
Service desk operation & management (ensuring that the service desk is established to an appropriate common standard and that users are not disadvantaged or issues unresolved as processes / applications / delivery changes take effect)	3			2		Periodic ICT audits. This is a joint audit with Chiltern
<u>Sustainable Development</u>						
Planning Development (and enforcement)	6			5		A periodic review of the planning and enforcement arrangements for the Council. A similar audit will be undertaken at the same time at Chiltern Council
Building Control	3				3	A periodic review of the Council's Building Control activities. This is a joint audit with Chiltern
<u>Health and Housing</u>						
Housing Allocations and Homelessness	3		3		3	A periodic review of the Council's Housing

<u>Description of area to Audit</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>Comments</u>
						Policy arrangements. This is a joint audit with Chiltern
Housing Grants – energy efficiency grants			3			A periodic review into the Council’s Housing Grants. This is a joint audit with Chiltern
Housing – Section 106	4		4		4	A periodic review into how the Council is spending its Section 106 money. This is a joint audit with Chiltern
Environmental Health		5		4		A periodic review into the Council’s arrangements for managing environmental health issues such as food safety procedures. This is a joint audit with Chiltern
Licensing		5		4		A periodic review into the procedures for managing licenses. This is a joint audit with Chiltern
Business Continuity			4			A periodic review into the Council’s business continuity arrangements. This is a joint audit with Chiltern
Emergency Planning			4			A periodic review of the Council’s emergency planning arrangements. This is a joint audit with Chiltern
Health and Safety – internal arrangements		4		3		A periodic review into the Council’s arrangements for Health and Safety within the Council. This is a joint audit with Chiltern

<u>Description of area to Audit</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>Comments</u>
<u>Environmental Services</u>						
Health and Safety – Contractor arrangements	4			4		A periodic review of the Health and safety arrangements for Contractors. This is a joint audit with Chiltern
Grounds Maintenance			4			A periodic review of the Councils ground maintenance procedures. This is a joint audit with Chiltern
Waste Collection	5		5		5	A periodic review of the Councils waste collection procedures
Contracts	6		6		5	A periodic review of the Councils major contracts within the Environmental Services Department. This is a joint audit with Chiltern
Car Parking	5	5	5	4	4	A periodic review of the income collection, reconciliation and security arrangements. This is a joint audit with Chiltern
Property and Asset Management		3		3		A periodic review into how the Council manages its portfolio of properties. This is a joint audit with Chiltern
Cemeteries		3				A periodic review of the Councils cemetery procedures. This is a joint audit with Chiltern
<u>Community Services</u>						

<u>Description of area to Audit</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>Comments</u>
Grants	3				3	A periodic review into community grants. This is a joint audit with Chiltern
Leisure		3				A periodic review of the Councils contract monitoring procedures for the Leisure Contract. This is a joint audit with Chiltern
Safeguarding		3		3		A periodic review of the Council's Safeguarding arrangements. This is a joint audit with Chiltern
<u>Legal and Democratic Services</u>						
Land Charges		3				A periodic review into procedures and income collected for land charges. A similar audit will be undertaken at the same time at Chiltern Council
Electoral Registration (to includes Elections)	3			3		To focus on the changes to the Electoral Individual Registration and also to review the elections risk register. A similar audit will be undertaken at the same time at Chiltern Council
External Solicitors					3	A periodic review to examine the process and procedures for using external solicitors. A similar audit will be undertaken at the same time at Chiltern Council

<u>Description of area to Audit</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>Comments</u>
Court Costs				3		A periodic review to examine the recovery of court costs. A similar audit will be undertaken at the same time at Chiltern Council
<u>Corporate Audits</u>						
Freedom of Information	3		3		3	A periodic review of the Council's FOI arrangements. This is a joint audit with Chiltern
Data Protection		3		3		A periodic review of the Council's Data Protection arrangements. This is a joint audit with Chiltern
Governance	4	4	3	3	3	An annual review of the Councils governance arrangements. This is a joint audit with Chiltern
Risk Management	3		3		3	A periodic review of the Councils risk management procedures. This is a joint audit with Chiltern
Joint Working	6					The 2015/16 audit will focus on the benefits achieved from the joint working as identified in the service reviews. This audit will cease after 2015/16. This is a joint audit with Chiltern

<u>Description of area to Audit</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>Comments</u>
Procurement		4		4		A periodic review into the Council's procurement procedures. This is a joint audit with Chiltern
Counter Fraud/Fraud Awareness	5	5	5	5	5	An annual review to focus on current fraud and irregularity issues which affect the Council. This is a joint audit with Chiltern
Data Quality		5		5		A periodic review of the Council's Data Quality arrangements. This is a joint audit with Chiltern
<u>Human Resources</u>						
Absence Management		3			3	A periodic review of the Council's absence management arrangements. This is a joint audit with Chiltern
Recruitment		3			3	A periodic review of the arrangements for recruiting staff. This is a joint audit with Chiltern
Equalities				3		A periodic review of the Council's compliance with the Equalities legislation. This is a joint audit with Chiltern
Training and Development			4			A periodic review of the Council's training and development arrangements. This is a joint audit with Chiltern

<u>Description of area to Audit</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>	<u>Comments</u>
<i>Other</i>						
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/Assurance Report	1	1	1	1	1	Annual Assurance letter/report
Management of Contract	8	8	8	8	8	Time spent by the TIAA Audit Director in servicing the Audit Committee, attending the Heads of Service Group, liaising with the Client and External Audit and generally managing the Internal Audit contract.
Total Number of Audit Days	140	139	135	130	122	

FARNHAM Park Charitable Trust Strategic Plan 2015/16 to 2019/20

<u>Description</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/10</u>	<u>Comments</u>
Stock Control	6			6		An audit on stock held at the Clubhouse (to include catering and the bar)
Income		6			6	An audit of all income received at Farnham Park

Business/Marketing Plan			6			An audit of the business plan and to review the achievement of the plan
Contingency time	4	4	4	4	4	For 2015/16 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	

Annex B

Annual Internal Audit Plan 2015/16

<u>Description</u>	<u>Planned Days 2015/16</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 Accounting	3	ICR	Assurance	An annual systems audit – controls to be tested will be agreed with the external auditor. This is a joint audit with Chiltern Council	October 2014
Payroll	7	ICR	Assurance	An annual systems audit – controls to be tested will be agreed with the external auditor. This is a joint audit with Chiltern Council	October 2014
Debtors	5	ICR	Assurance	An annual systems audit – controls to be tested will be agreed with the external auditor. This is a joint audit with Chiltern Council	October 2014
Creditors	5	ICR	Assurance	An annual systems audit – controls to be tested will be agreed with the external auditor. This is a joint audit with Chiltern Council	October 2014

<u>Description</u>	<u>Planned Days 2015/16</u>	<u>Assurance Risk Type</u>	<u>Type of review</u>	<u>Details of Audit</u>	<u>Proposed start Month</u>
Benefits	5	ICR	Assurance	An annual systems audit – controls to be tested will be agreed with the external auditor. A similar audit will be undertaken at the same time at Chiltern Council	November 2014
Council Tax Support	5	ICR	Assurance	An annual systems audit – controls to be tested will be agreed with the external auditor	November 2014
Council Tax & NDR	9	ICR	Assurance	An annual systems audit – controls to be tested will be agreed with the external auditor	December 2014
Cash & Bank	4	ICR	Assurance	An annual systems audit – controls to be tested will be agreed with the external auditor. This is a joint audit with Chiltern Council	November 2014
Treasury Management	3	ICR	Assurance	An annual systems audit – controls to be tested will be agreed with the external auditor. This is a joint audit with Chiltern Council	November 2014
Budgetary Control	3	ICR	Assurance	An annual systems audit – controls to be tested will be agreed with the external auditor. This is a joint audit with Chiltern Council	December 2015
<u>Computer Audit Work</u>					
Contingency					
Information Security Management in shared service environment	3	SCR	Assurance	To review the processes, X-organisational data/information protection, X-organisational awareness, training and access to information. This is a joint audit with Chiltern Council	October 2015

<u>Description</u>	<u>Planned Days 2015/16</u>	<u>Assurance Risk Type</u>	<u>Type of review</u>	<u>Details of Audit</u>	<u>Proposed start Month</u>
Regulatory compliance	3	SCR	Assurance	To review the IT system for DPA. This is a joint audit with Chiltern Council	October 2015
Control Assurance of services provided remotely	3	SCR	Assurance	To review the introduction of cloud provision (e.g. data storage / email) – Project Management. This is a joint audit with Chiltern Council	October 2015
IT Management and operational structure	3	SCR	Assurance	To review the transition and final ICT staffing structures, roles and responsibilities. This is a joint audit with Chiltern Council	July 2015
Service desk operation & management	3	SCR	Assurance	(ensuring that the service desk is established to an appropriate common standard and that users are not disadvantaged or issues unresolved as processes / applications / delivery changes take effect). This is a joint audit with Chiltern Council	October 2015
<u>Sustainable Development</u>					
Planning Development (and enforcement)	6	SCR		An operational review of the Planning Development and Enforcement arrangements	May 2015
Building Control	3	SCR	Operational	An operational review of the Building Control arrangements following the service review. This is a joint audit with Chiltern Council	July 2015
<u>Health and Housing</u>					

<u>Description</u>	<u>Planned Days 2015/16</u>	<u>Assurance Risk Type</u>	<u>Type of review</u>	<u>Details of Audit</u>	<u>Proposed start Month</u>
Housing - Allocations/Homelessness	3	SCR	Operational	An operational review of the procedures and process for allocating housing and managing homelessness. This is a joint audit with Chiltern Council	August 2015
Housing – Section 106	4	SCR	Operational	An operational review of Section 106 funds and how these are actioned/spent. This is a joint audit with Chiltern Council	September 2015
<u>Environmental Services</u>					
Health and Safety – Contractor arrangements	4	SCR	Operational	This was a limited audit at SBDC during 2015/16 and a further audit has been requested by the SBDC Audit Committee in 2015/16. This is a joint audit with Chiltern Council	October 2015
Waste Collection	5	SCR	Operational	A review of the management and monitoring of the waste collection procedures and processes	September 2015
Contracts	6	SCR	Operational	An operational review of the system for letting, managing and monitoring of contracts at the Council. This is a joint audit with Chiltern Council	August 2015
Car Parking	5	SCR	Operational	An operational review into how the Council manages income, reconciliation security at the Car Parks. This is a joint audit with Chiltern Council	Feb 2015
<u>Community Services</u>					

<u>Description</u>	<u>Planned Days 2015/16</u>	<u>Assurance Risk Type</u>	<u>Type of review</u>	<u>Details of Audit</u>	<u>Proposed start Month</u>
Community Grants	3	SCR	Operational	An operational review of the Community Grants system. This was a postponed audit from 2014/15. This is a joint audit with Chiltern Council	June 2015
<u>Legal and Democratic Services</u>					
Electoral Registration	3	SCR	Operational	An operational review of the system for managing electoral registrations (to include the risk management procedures for Elections)	TBA
<u>Corporate Audits</u>					
Freedom of Information	3	SCR	Assurance	An assurance review of the Council's Freedom of Information arrangements. This was a postponed audit from 2014/15. This is a joint audit with Chiltern Council	July 2015
Governance	4	MIR	Assurance	An assurance review that the Councils governance arrangements are working well. This is a joint audit with Chiltern Council	January 2016
Risk Management	3	MIR	Assurance	An assurance review that the Councils Risk Management arrangements are working well and are embedded. This is a joint audit with Chiltern Council	July 2015
Joint Working Arrangements	6	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. This is a joint audit with Chiltern Council	September 2015

<u>Description</u>	<u>Planned Days 2015/16</u>	<u>Assurance Risk Type</u>	<u>Type of review</u>	<u>Details of Audit</u>	<u>Proposed start Month</u>
Counter Fraud	5	SCR	Assurance	A proactive counter fraud audit to review a high risk area of transactions within the Council. This is a joint audit with Chiltern Council	September 2015
<u>Human Resources</u>	No audits planned for 2015/16				
<u>Other</u>					
Audit follow up work	4		Follow up	An annual audit to assess the implementation of audit recommendations	April 2016
Annual audit letter/report	1			The annual assurance letter/report	May 2016
Management of Contract	8			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 2015/16

<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	6	SCR	Assurance	A periodic audit to review the stock control arrangements at the club house (to include catering and the bar)	July 2015

Contingency Time	4		Advisory	For 2015/16 this time will be spent in working with the Business Manager for the Trust and assisting him with the control framework for the club house etc	April 2015
TOTAL	10				

South Bucks Audit Plan

Year ending 31 March 2015

Audit Plan

2 March 2015



Building a better
working world



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Audit Committee
South Bucks District Council
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2 March 2015

Dear Committee 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. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2014/15 audit in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, Standing Guidance, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving 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 plan with you on 12 March 2015 and 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

Contents

1. Overview	2
2. The Local Audit and Accountability Act 2014	4
3. Financial statement risks	5
4. Economy, efficiency and effectiveness	6
5. Certification work for housing benefits	7
6. Our audit process and strategy.....	8
7. Independence.....	12
Appendix A Fees.....	15
Appendix B UK required communications with those charged with governance	16

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' ('Statement of responsibilities'). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

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.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Overview

Context for the audit

This Audit Plan covers the work that we plan to perform 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 2015 and of the income and expenditure for the year then ended;
- ▶ 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), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

When 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;
- ▶ changes in the business and regulatory environment; and
- ▶ management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council. 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 one significant risk to the opinion on the financial statements, which is the risk of management override. We must consider this at all our audits because of the nature of local authority finances and ever-increasing pressures on management to achieve financial targets. This is set out in detail in part three of this plan.

In sections three and four of this plan we provide more detail on the above areas and we outline our plans to address them. Our proposed audit process and strategy are summarised below and set out in more detail in section six.

We will provide an update to the Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2015.

In section five, the Audit Plan also outlines our planned work on the certification of the housing benefits subsidy claim.

Our process and strategy

Financial statement audit

We consider materiality in terms of the possible impact of an error or omission on the financial statements and set an overall planning materiality level. We then set a tolerable error to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality to an appropriately low level. We also assess

each disclosure and consider qualitative issues affecting materiality as well as quantitative issues.

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, while completing our own additional testing at year end if required. Where control failures are identified we consider the most appropriate steps to take.

To the fullest extent permissible by auditing standards, we will seek to rely on the work of internal audit. Internal audit maintain documentation of key processes, document and evaluate changes, and test management controls. Where they have tested a control that we were planning to test, we will assess their testing through re-performance of a sample, and rely on it where possible. We have already liaised with Internal Audit and are due to begin our review and re-performance of their work.

The key members of our audit team are Maria Grindley, Director; Susan Gill, Manager and Mandeep Gill, Lead Executive. Mandeep 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.

There has been no change to the scope of our audit compared to previous audits.

Arrangements for securing economy, efficiency and effectiveness

Our approach to the value for money (VFM) conclusion for South Bucks District Council for 2014/15 is based on criteria specified by the Audit Commission as to whether the Council has proper arrangements for:

- ▶ securing financial resilience; and
- ▶ challenging how the Council secures economy, efficiency and effectiveness.

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

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

Further detail is included in section 4 of this Audit Plan.

Certification work

We certify the housing benefits subsidy claims under Audit Commission certification arrangements.

Further detail is included in section 5 of this Audit Plan.

2. The Local Audit and Accountability Act 2014

The Local Audit and Accountability Act 2014 (the 2014 Act) closes the Audit Commission and repeals the Audit Commission Act 1998.

The 2014 Act requires the Comptroller and Auditor General to prepare a Code of Audit Practice. This must be laid before Parliament and approved before 1 April 2015.

Although this new Code will apply from 1 April 2015, transitional provisions within the 2014 Act provide for the Audit Commission's 2010 Code to continue to apply to audit work in respect of the 2014/15 financial year. This plan is therefore prepared on the basis of the continued application of the 2010 Code of Audit Practice throughout the 2014/15 audit.

3. Financial statement risks

We outline below our assessment of the financial statement risks facing the Council, identified through our knowledge of the Council’s operations and discussion with those charged with governance and officers.

We assess the impact on our audit approach and set out below the key areas of focus for our audit of the financial statements. A significant risk is an identified assessed risk of material misstatement that, in an auditor’s judgement, requires special audit consideration. We identified no significant risks other than the general risk of management override.

At our meeting, we will seek to validate this with you.

Significant risks (including fraud risks)	Our audit approach
Risk of management override	
<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and 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 recorded 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 whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider this risk.

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

- ▶ identifying fraud risks during the planning stages;
- ▶ enquiry of management about risks of fraud and the controls to address those risks;
- ▶ understanding the oversight given by those charged with governance of management’s processes over fraud;
- ▶ consideration of the effectiveness of management’s controls designed to address the risk of fraud;
- ▶ determining an appropriate strategy to address any identified risks of fraud; and
- ▶ 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 reporting to you.

4. Economy, efficiency and effectiveness

Our approach to the value for money (VFM) conclusion for South Bucks District Council for 2014/15 is based on criteria specified by the Audit Commission as to whether there are proper arrangements at the Council for securing:

1. financial resilience, and
2. economy, efficiency and effectiveness in the use of resources.

The Audit Commission *2014/15 auditor guidance on the conclusion on the arrangements to secure VFM* requires that auditors consider and assess the significant risks of giving a wrong conclusion and carry out as much work as is appropriate to enable them to give a safe conclusion on arrangements to secure VFM.

Our assessment of what is a significant risk is a matter of professional judgement, and is based on consideration of both quantitative and qualitative aspects of the subject matter in question.

For those significant risks we identify that are relevant to our value for money conclusion, where these risks will not be addressed by our financial statements work or other work undertaken by the Council, Audit Commission or other review agency, we consider the need to undertake local value for money work.

At this stage we have not identified any significant risks. We acknowledge the Council operates in a context of increasing financial pressure and we will keep our risk assessment under review throughout our audit and communicate to the Audit Committee any additional local risk-based work we may need to undertake. If there should be any changes to our risk assessment we will in the first instance discuss them with the Head of Finance.

5. Certification work for housing benefits

Certification work involves carrying out prescribed tests designed to give reasonable assurance that the Council's housing benefits claim is fairly stated and in accordance with specified terms and conditions. Certification work is not an audit, but is required by the Department of Work and Pensions (DWP), which also sets out the work necessary

Based on previous experience we expect to carry out some extended testing, known as 40+ testing: this arises from our initial testing and also follows DWP requirements.

Where possible we integrate our benefits certification work with our opinion and other work. We also aim to rely on the work of internal audit and benefits staff where possible.

We will report the results of our work to the Audit Committee.

The Audit Commission has set an indicative fee for this work for each body. The indicative fee for authorities in 2014/15 is based on the actual benefits certification fee for 2012/13.

The indicative fee is based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate claims, with supporting working papers, within agreed timeframes.

6. Our audit process and strategy

6.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code') our principal objectives are to review and report on, the Council's:

- ▶ financial statements, and
- ▶ arrangements for securing economy, efficiency and effectiveness in its use of resources

to the extent required by the relevant legislation and the requirements of the Code.

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 NAO on the Whole of Government Accounts return to the extent and in the form they require.

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, we will rely as far as possible on the reported results of the work of other statutory inspectorates on corporate or service performance.

In examining the Council's corporate performance management and financial management arrangements, we consider 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 by improving efficiency and productivity.

6.2 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, provisions and valuations; and
- ▶ substantive tests of detail of transactions and amounts

Processes

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

- ▶ Procure to Pay;
- ▶ Payroll; and
- ▶ Journals.

As the payroll process is outsourced to Aylesbury Vale District Council, we will use the findings set out in the independent assurance report.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular 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 prior 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 any 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 involving specialists in pensions, valuations and financial reporting.

Mandatory procedures required by auditing standards

As well as the financial statement risks outlined in section three, 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.

Procedures required by standards

- ▶ 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; and

- ▶ auditor independence.

Procedures required by the Code

- ▶ reviewing, and reporting on 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 examining, where appropriate, evidence relevant to your corporate performance management and financial management arrangements, and its reporting on these arrangements.

6.3 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition. We have determined that overall materiality for the financial statements of the Council is £609,250, based on 2% of gross expenditure.

We will communicate uncorrected audit misstatements greater than £30,476 to you.

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 the circumstances that might ultimately influence our judgement. 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 financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

6.4 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 South Bucks District Council is £56,532.

The Commission has also set a separate scale fee of £27,860 for our work on grant certification. The scale fee was 2013/14 was £33,900, which was reduced to £25,707 as less work was required than in 2012/13, the year the Commission used to set the fee formula.

6.5 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 Grindley is supported by Susan Gill, who is responsible for the day-to-day direction of audit work and is the key point of contact for the chief accountant.

6.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the VFM work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2014/15. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	January-March	April 2014	Audit Fee letter
Risk assessment and setting of scopes	February-March	March 2015	Audit Plan
Testing routine processes and controls	February-March	June 2015	Progress Report
Year-end audit	July-September		
Completion of audit	September	September 2015	Audit Results Report Audit report (including our opinion on the financial statements, and overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	October		Annual Audit Letter
Grant Certification Claim	June - November	January 2016	Certified Claim
Reporting on Certification Work	December	January 2016	Annual Certification Work Report

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

7. Independence

7.1 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 on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during 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.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, 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 contracted services, and details of any written proposal to provide non-audit services;

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 are disclosed, analysed in appropriate categories.

7.2 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 any principal threats. However we have adopted the safeguards 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 the Council.

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 the Council has approved and that are in compliance 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 the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, 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 other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of 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 decisions 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 adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Maria Grindley, the audit engagement Director, and the audit engagement team have not been compromised.

7.3 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 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 27 June 2014 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2014>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2014/15	Actual Fee 2013/14	Scale Fee 2013/14
	£	£	£
Opinion Audit and VFM Conclusion	56,532	55,632	55,632
Certification of Housing Benefits Subsidy Claim	27,860*	25,707	33,900

All fees exclude VAT.

**the Audit Commission sets the claim scale fee by formula, based on the audit two years previously (i.e. in 2012/13). The actual fee – higher or lower – will be reported to you in our certification work report in January 2016.*

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

- ▶ officers meeting the agreed timetable of deliverables;
- ▶ there are no significant deficiencies in the operating effectiveness of the internal controls for key processes;
- ▶ we can rely on the work of internal audit as planned;
- ▶ the Audit Commission making no significant changes to the use of resources criteria on which our conclusion will be based;
- ▶ our accounts opinion and use of resources conclusion being unqualified;
- ▶ appropriate quality of documentation is provided by the Council; and
- ▶ the Council has 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 the Council 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.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit Committee. 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>	<p>▶ Audit Plan</p>
<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 	<p>▶ Report to those charged with governance</p>
<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 	<p>▶ Report to those charged with governance</p>
<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 	<p>▶ Report to those charged with governance</p>
<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 	<p>▶ Report to those charged with governance</p>
<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 	<p>▶ Report to those charged with governance</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ audit findings regarding non-compliance where the non- 	<p>▶ Report to those charged with</p>

Required communication	Reference
<p>compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</p> <ul style="list-style-type: none"> ▶ enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	governance
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director'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 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance
<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 	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<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 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance ▶ Annual Audit Letter if necessary
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<p>Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if necessary</p>

Agenda Item 6

EY | Assurance | Tax | Transactions | Advisory

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SUBJECT:	<i>Introduction Of Single Fraud Investigation Service</i>
REPORT OF:	<i>Customer Services - Councillor Duncan Smith</i>
RESPONSIBLE OFFICER	<i>Nicola Ellis Head of Customer Services</i>
REPORT AUTHOR	<i>Alistair Webb, 01494 732227, awebb@chiltern.gov.uk</i>
WARD/S AFFECTED	<i>All</i>

1. Purpose of Report

This report is to advise the Audit Committee of the introduction of the Single Fraud Investigation Service with effect from 1 March 2015 and to explain how future interaction will occur.

RECOMMENDATION

Members are asked to note and comment on the impact of the introduction of a Single Fraud Investigation Service from 1st March 2015.

2. Reasons for Recommendations

The report is for information only and no action is required.

3. Content of Report

3.1 This report details the Department for Work and Pension's (DWP) introduction of the 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;
- Disability Living Allowance;
- Personal Independent Payments; and Universal Credit.

3.2 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.
- 3.3 Following pilot site activity between 2011 and 2014 a timetable for national implementation of the Single Fraud Investigation Service was published and this confirmed that SFIS would be introduced in the South Bucks and Chiltern DC area from 1st March 2015.
- 3.4 Between October 2014 and February 2014 meetings took place between the DWP implementation team and the Council to prepare for implementation and transfer of relevant cases.
- 3.5 The DWP had made assumptions in relation to ongoing cases, assuming that all cases, including cases already in the court process would also transfer to the SFIS. The Welfare Reform Act 2012 removed the legal provision under the Social Security Administration Act Section 116ZA for Local Authorities to commence proceedings but allowed ongoing proceedings to continue with the authority. It was also clear this action was intended to take place after the national implementation of SFIS, not due to complete until March 2017.
- 3.6 On that basis DWP accepted that South Bucks DC would continue with **three** cases that it had already commenced or prepared for prosecution. Taking into account the time and costs already incurred by South Bucks DC it was considered inappropriate to transfer such cases.
- 3.7 At the date of transfer South Bucks DC had **four** open investigations to transfer to SFIS. An agreed secure transfer process was set up to carry out the process.
- 3.8 South Bucks remains responsible for administration of Housing and Council Tax Benefit including the calculation and recovery of overpayments identified by fraud activity.
- 3.9 From 1st March 2015 all cases of suspected fraud identified internally by South Bucks DC will be referred to SFIS. This will be by means of secure-e-mail. Prior to referral the Council will continue to consider the facts and identify whether benefit should be adjusted or suspended. The overriding consideration is to ensure the accuracy of the benefit award and prevent overpayments.
- 3.10 Once a case of suspected benefit fraud is referred to SFIS the type, manner and outcome of the investigation is the sole responsibility of SFIS and the Council will be unable to influence or direct the investigation process. Feedback from sites that have already transferred to SFIS indicate that they receive little feedback from SFIS on outcomes. As the Council will still be responsible for recovering any

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fraudulent overpayment identified we will continue to monitor cases referred to SFIS to ensure they are progressed.

- 3.11 The DWP will not have direct access to local authority benefit systems and require South Bucks DC to provide support to investigations by supplying claim records and benefit decisions on overpayments. South Bucks DC has agreed a service level agreement with SFIS to identify expected time scales and contact points.
- 3.12 DWP's current sanction policy is to consider prosecution or an administrative penalty as the only potential outcomes. Cases suitable for prosecution are progressed by the Crown Prosecution Service and publicity of cases will be DWP's responsibility. DWP have a policy of concentrating on national press publicity and their working methods of not attending court make it unlikely that local cases will receive any publicity.
- 3.13 Where DWP decide that an administrative penalty should be applied to Housing or Council Tax Benefit the Local Authority is requested to give its delegated authority to agree the penalty. When considering the penalty South Bucks will consider its own sanction strategy on penalties and in particular the ability of the offender to repay. The authority will ultimately have responsibility for recovering the penalty there is little to be gained from applying a penalty that will never be repaid.
- 3.14 The Council remains committed to the prevention and detection of fraud and error and to assist SFIS. South Bucks will continue to be responsible for investigating any other frauds or irregularities committed against it and in particular frauds against its own local Council Tax Support Scheme.
- 3.15 It is likely that Council Tax Support frauds may well overlap with frauds against Housing Benefit. Under current arrangements SFIS will not have any authority to investigate Council Tax Support fraud. It is anticipated that where cases are identified, the Council will investigate and identify any overpayment of both Council Tax Support and Housing Benefit and at that stage invite SFIS to carry out joint interviews. SFIS are looking into the possibility of joint investigations but at this time it is possible that two separate investigations and outcomes could apply to the same fraud.

4. Options

- 4.1 There are no other options. The Council does not have the option to retain its powers to investigate Housing Benefit fraud as this decision is made by central government.

5. Corporate Implications

- 5.1 The transfer of investigation of benefit fraud to SFIS does have potential financial implications for the Council as it could lead to delays in conclusion of investigations and so more potential for incorrect payment and ultimately overpayments.
- 5.2 No legal implications as a national service now taking responsibility for the investigation process in its entirety.
- 5.3 The outcomes of investigation may well impact locally on crime and disorder but will be reported nationally as part of DWP's annual returns.

6 Links to Council Policy Objectives

This report links to the following objectives of the Council:

- Cost effective customer focused services - ensuring correct benefit entitlement minimises losses to the Council;
- Safer and healthier communities - benefit fraud is a crime and the prevention and detection of fraud reduces crime in the community.

7 Next Steps

The Service would welcome Audit Committee's views on the impact of SFIS.

Background Papers: None

SBDC AUDIT COMMITTEE WORK PROGRAMME

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

Topic	Frequency	12 Mar 15	Jun 15	Sept 15	Jan 16	Mar 16
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						
Update on SFIS	One Off					
Fraud & Corruption Annual Report	Annual					
External Audit						
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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