



Audit and Standards Committee

Tuesday, 9 April 2019 at 6.00 pm

Room 6, Capswood, Oxford Road, Denham

A G E N D A

Item

1. Evacuation Procedure
2. Apologies for Absence
3. Minutes (*Pages 5 - 8*)

To approve the minutes of the Audit and Standards Committee held on 17 January 2019.

4. Declarations of Interest
5. Update on Standards Framework (*Pages 9 - 14*)

Appendix Committee on Standards in Public Life Report on Local Government Ethical Standards Jan 2019- extract (Pages 15 - 26)

6. Standards Work Programme (*Pages 27 - 28*)

To agree the Standards work programme.
7. Annual Internal Audit Report (*Pages 29 - 34*)
8. Internal Audit Progress Report (*Pages 35 - 44*)
9. Risk Management Update (*Verbal Report*)

10. EY Certification of claims and returns Annual Report (*Pages 45 - 46*)

Appendix (Pages 47 - 56)

11. EY Annual Audit Plan (*Pages 57 - 90*)

12. Annual Governance Statement 18/19 (*Pages 91 - 98*)

Appendix 1 (Pages 99 - 102)

Appendix 2 (Pages 103 - 104)

Appendix 3 (Pages 105 - 106)

Appendix 4 (Pages 107 - 110)

13. Audit Work Programme (*Pages 111 - 112*)

To agree the Audit work programme of the Committee.

14. Exclusion of the Public (if required)

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

Note: All reports will be updated orally at the meeting if appropriate and may be supplemented by additional reports at the Chairman's discretion.

Membership: Audit and Standards Committee

Councillors: D Anthony (Chairman)
G Hollis (Vice-Chairman)
P Griffin
L Hazell
P Hogan
R Sangster

T Dobson (Independent Person)
G Hopkins (Independent Person)

Date of next meeting – Wednesday, 10 July 2019

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AUDIT AND STANDARDS COMMITTEE**Meeting - 17 January 2019**

Present: D Anthony (Chairman)
L Hazell, P Hogan and R Sangster

Apologies for absence: G Hollis

86. MINUTES

The minutes of the Audit and Standards Committee held on 27 September 2018 were approved and signed by the Chairman as a correct record.

87. DECLARATIONS OF INTEREST

There were no declarations of interest.

88. APPOINTMENT OF INDEPENDENT PERSON

The Committee received a report recommending that the term of office of one of the Council's Independent Persons, Mr Trevor Dobson be extended until 31 March 2020. The Head of Legal and Democratic Services reported that Mr Dobson's current term of office finishes in July 2019. The process for recruiting new independent persons required the Council to advertise this role in the local press which was costly and interest from the public had previously been very limited. Due to the proposals for local government re-organisation in Buckinghamshire it would only be feasible to offer the role to any new recruit until the end of the Shadow Period on 31 March 2020. Extending Mr Dobson's term of office for a further 9 months would ensure that the Council continued to have two experienced Independent Persons available to deal with any complaints received and to comply with the requirements of the Employment Procedure Amendment Regulation 2015 (dismissal of statutory officers). The Council appointed Mr Hopkins as the second Independent Person in January 2017 and his term of office would continue until the new Unitary District Council commenced on 1 April 2020.

RECOMMENDED that Full Council agree to extend the terms of office of Mr Trevor Dobson until 31 March 2020.

89. STANDARDS WORK PROGRAMME

The Committee received the Standards Work Programme. The Head of Legal and Democratic Services reported that because the May elections had been postponed for a year the report on standards training for new Members had been deleted. However, if Committee Members would value a training refresh they should inform Democratic Services. At the next meeting the final Work Programme would be presented leading up to the new authority in 2020.

A Member asked whether it was possible to have a by-election with the current Parliamentary process for a new Unitary District Council and was informed by the Head of Legal and Democratic Services that a by-election could be arranged up until 30 September 2019. If a casual vacancy occurred after this date then an election cannot be held unless one third of the seats remained vacant. If any new Members were elected then induction training would be organised.

A Member referred to complaints monitoring and it was noted that a report was submitted to the Committee annually on the number and type of complaints including breach of the Code and any investigations. The Head of Legal and Democratic Services reported that it had been a busy year for complaints (10 complaints) but that number related to a similar issue. Reference was made to a Parish Council complaint and Members were informed that a response to this would be made by end of January 2019.

RESOLVED that the Standards Work Programme be agreed.

90. **INTERIM PROGRESS REPORT**

The Committee received the Internal Audit Progress Report 2018/19. Chris Harris, TIAA Internal Auditors presented the report. He made one amendment with regard to point two in the report on progress against the 2018/19 Annual Plan - the final sentence should say that three audits were finalised in the period and there was only one priority 2 recommendation. He informed Members that some changes had been made to the audit plan for 2018/19 as some audits were no longer required as they were being covered by other reviews. Members noted that the current risk procedures/guidance was being reviewed. With regard to budgetary control a draft report had been issued on 20 December 2018.

A Member referred to the terminology with regard to a reasonable or substantial evaluation. This terminology highlighted in generic terms the seriousness of the audit findings and what sort of escalation was required to provide a level of assurance. The Member then asked a further question on sickness absence and whether this had improved. The Director of Resources commented that this information was reported to the Joint Staffing Committee but figures at the end of December 2018 showed a great improvement. In response to another question he also commented that there had been no impact on staff turnover since the unitary announcement.

Reference was made to the use of purchase cards which were a high risk area. Chris Harris TIAA Internal Auditors emphasised the importance of the appropriate amount of checks and balances being undertaken by Senior Officers and that staff should be reprimanded if they mis-used their card.

It was **RESOLVED** that the report be noted.

91. INTERNAL AUDIT ANNUAL AND STRATEGIC PLAN 2019/20

The Committee received the Internal Audit Annual and Strategic Plan 2019/20. Chris Harris, TIAA Internal Auditors reported that this would be the last Plan before the new Unitary District Authority was in place. A Member asked about final audits before the transition to a new Council. Chris Harris TIAA Internal Auditors reported that all Councils would have to produce their final accounts and the normal audit process for that would take place to produce a final auditing position which would highlight any concerns regarding any weaknesses in control. New audit arrangements would be made by the new Unitary District Authority.

It was **RESOLVED** that the report be noted.

92. AUDIT COMMITTEE WORK PROGRAMME

The Audit Committee Work Programme was noted. The External Auditors reports on the Certification of Claims and Returns Annual Report and the Annual Audit Plan would be submitted to the March meeting. The Programme of Work in the lead up to the new Authority would be reduced.

The meeting terminated at 6.25 pm

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SUBJECT	Update on Standards Framework
RELEVANT MEMBER	Councillor David Anthony, Chairman of Audit & Standards Committee
RESPONSIBLE OFFICER	Joanna Swift, Monitoring Officer
REPORT AUTHOR	Joanna Swift, 01494732761; joanna.swift@chilternandsouthbucks.gov.uk
WARD/S AFFECTED	None

1. Purpose of Report

To consider compliance with the requirements of the current standards framework and review the recommendations made by the Committee on Standards in Public Life in their recent report on Local Government Ethical Standards.

RECOMMENDATION:

- That the Committee note the current position and consider whether any changes should be brought forward for consideration in the light of the recommendations made by the Committee on Standards in Public Life**

2. Reasons for Recommendations

To ensure the Council meets its statutory duty of promoting and maintaining high standards of conduct amongst its members and acts in accordance with current best practice

3. Content of Report

- 3.1. As members are aware the standards framework introduced by the Localism Act 2011 requires all Councils to adopt a code of conduct for their members which reflects the 7 principles of conduct in public life. Councils must also adopt arrangements for dealing with complaints that their members have breached the code. Elected members must notify the monitoring officer of their disclosable pecuniary interests (DPI's), within 28 days of taking office and thereafter within 28 days of any changes to their DPIs. Furthermore, under the Council's code of conduct members are also required to notify the monitoring officer of their personal interests within 28 days of taking office and again to notify any changes within 28 days. Both sets of interests must be open to public inspection and published on the Council's website.
- 3.2. The Council's code is reviewed annually, together with the complaints procedure which was revised in September 2017. The declaration of interest forms include guidance notes and a glossary of terms, examples of the types of interest under each category and a separate space for members to record their DPI's and those of their spouse /partner. The current forms were reviewed by the Committee in January 2018 and there have been no legislative changes since then requiring a further review.

- 3.3. The monitoring officer is pleased to report all councillors continue to be up to date with their register of interest forms. The details are kept in the Council's modern.gov system and appear below each councillor's contact details on the website. Members are now able to update their details electronically via the extranet and details of the process have been circulated with councillors' weekly Bulletin.
- 3.4. The monitoring office is also responsible for maintaining and publishing the registers of interests for members and co-opted members of the 12 town and parish councils in the District. These registers have been compiled and the forms received published on the Council's website under the respective town/parish council's name. Clerks have been reminded about these requirements including publication of the registers on the town/parish council's own website, if they have one.
- 3.5. As previously reported to members, the Committee on Standards in Public Life (CSPL) carried out a review into the ethical framework for local authorities including stake holder consultation in 2018. The Committee's report was published at the end of January and an extract is attached at Appendix 1. The report makes 26 recommendations, mainly to Government but also to the Local Government Association and Parish Councils in some cases. The main findings, observations and conclusions are summarised below:-
- High standards of conduct in local government are needed to protect the integrity of decision-making, maintain public confidence and safeguard local democracy.
 - Our evidence supports the view that the vast majority of councillors and officers maintain high standards of conduct. Where there is misconduct most of the case involve bullying or harassment or other disruptive behaviour
 - We have considered the need for a centralised body to govern and adjudicate on standards and concluded that whilst the consistency and independence of the system could be enhanced, there is no reason to reintroduce a centralised body and local authorities should retain ultimate responsibility for implementing and applying the 7 principles of public life in local government.
 - There is considerable variation in the length quality and clarity of code of conduct and many codes fail to address adequately important areas of behaviour such as social media use and bullying and harassment. An updated model code of conduct should therefore be available to local authorities in order to enhance consistency and quality of local authority codes
 - Any standards process needs to have safeguards in place to ensure that decisions are made fairly and impartially and the councillors are protected against politically-motivated, malicious or unfounded allegations of misconduct. The Independent Person is an important safeguard in the current system and this role should be strengthened and clarified
 - The current sanctions available to local authorities are insufficient. Party discipline whilst it has an important part to play in maintaining high

standards lacks the necessary independence and transparency to play the central role in the standards system.

Key Recommendations

- An updated Voluntary Model Code of Conduct be created by the Local Government Association in consultation with representative bodies of councillors and officers at all tiers of local government
- The register of interests should include categories of non-pecuniary interests
- Current rules on declaring interests should be repealed and replaced with an objective test
- Independent persons should have fixed terms of 2 years, renewable once and protection by legal indemnity put in place if their advice or views are disclosed
- Councils to be given discretion to establish decision-making standards committees with voting independent members and voting members from dependant parishes
- Councils to be given the power to suspend councillors for up to 6 months, to include parish councillors, if an Independent Person agrees to the suspension
- Councillors should be given the right to appeal against suspension to the Local Government Ombudsman
- The criminal offences relating to disclosable pecuniary interests should be abolished
- Parish councils should be required to adopt the code of their principal authority (or the new model code) and a principal authority's sanctions for a parish councillor should be binding
- Monitoring officer should be provided with adequate training, corporate support and resources to undertake their role in providing support on standards to parish councils. Clerks should also hold an appropriate qualification
- Political groups should set clear expectations of behaviour by their members and senior officers should maintain effective relationships with political groups
- Political groups should require their members to attend code of conduct training provided by local authorities and write this into national party model group rules.

3.6 The Committee also made 15 best practice recommendations shown in the Table below which are directed at local authorities. The Committee expects that any local authority can and should implement these recommendations and the Table also indicates the current position at South Bucks. The Committee intends to review implementation of their best practice in 2020, so this will be a matter for the new Buckinghamshire Council.

	Recommended Best Practice	Current Position	RAG
1	Prohibition on bullying and harassment included in code of conduct together with a definition and a list of examples of the behaviour this covers	Code includes bullying. Guidance for members includes definition and examples of the behaviour	
2	Codes should require councillors to comply with any formal standards investigation and prohibit trivial or malicious allegations by councillors	Tit for tat complaints discouraged in complaints procedure	
3	Codes should be reviewed annually and where possible, views sought from the public, community organisations and neighbouring authorities	Reviewed annually but external consultation is not currently undertaken	
4	Codes should be readily accessible to councillors and the public in a prominent position on the council's website and available in council premises	Easily accessible when searching under complaints	
5	Council's should update their gifts and hospitality register at once a quarter and publish it in an accessible format, such as CSV	Very few entries made in register	
6	Council's should publish a clear and straightforward public interest test against which allegations are filtered	Assessment criteria listed in complaints procedure	
7	Councils should have access to at least 2 Independent Persons	SBDC appoints 2 IPs	
8	Independent Person should be consulted on whether to undertake a formal investigation and be given the option to review and comment on allegations which the MO is minded to dismiss as being without merit, vexatious or trivial.	These provision are included in the adopted complaints procedure	
9	Decisions following a formal investigation should be published as soon as possible on the Council's website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker and any sanction applied.	Complaints procedure provide for decision to be published	
10	Councils should have straightforward and accessible guidance on their website on how to make a complaint under the code, the process for handling complaints, the estimated timescales for investigations and outcomes	Complaints procedure published in website	
11	Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or the parish council as a whole, rather than the clerk in all but exceptional circumstances		
12	MO roles should include providing advice, support and management of investigations and		

	adjudications on alleged breaches to parish councils within their area. MOs should be provided with adequate training, corporate support and resources to undertake this work		
13	Councils should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps include asking the MO from a different council to undertake the investigation.	Complaints procedure provides for Investigations to carried out externally	
14	Councils should report on separate bodies they have set up as part of their annual governance statement and give a full picture of their relationship with those bodies. Separate bodies created by Councils should abide by the Nolan principles and publish their board agendas, minutes and annual reports in an accessible place.		TBC
15	Senior officers should meet regularly with political group leaders or group whips to discuss standards issues	Meetings held informally as and when required	

4. Consultation

Not applicable at this stage

5. Options (if any)

Members may wish to consider asking the monitoring officer to bring a report o a future meeting with suggested changes to the code and complaints procedure in line with the CSPL recommended best practise.

6. Corporate Implications

Financial – The cost of preparing or amending any forms or guidance would be met from within existing budgets

Legal – As set out in the report

Risks issues – Members could be at risk of prosecution or complaints if they fail to comply with the Localism Act requirements for declaration of pecuniary and non-pecuniary interests. The Council's decisions would be at risk of challenge if they are taken with bias or pre-determination

Equalities - None specific

7. Links to Council Policy Objectives

There are no direct links to the Council's main policy objectives. But the Council has a duty under the Localism Act 2011 to promote and maintain high standards of conduct by its members. Ensuring that all members understand their obligations under the Council's code of conduct is a matter of good governance and is important in preserving the confidence of local communities.

8. Next Steps

Any suggested changes/feedback from members will be pursued.

Background Papers:	None except those referred to in the report
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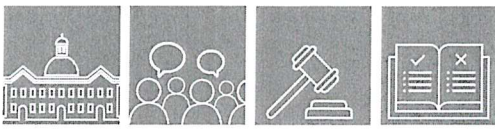
Local Government Ethical Standards

A Review by the
Committee on
Standards in Public Life

Committee on
Standards in
Public Life

January 2019





Executive summary

Local government impacts the lives of citizens every day. Local authorities are responsible for a wide range of important services: social care, education, housing, planning and waste collection, as well as services such as licensing, registering births, marriages and deaths, and pest control. Their proximity to local people means that their decisions can directly affect citizens' quality of life.

High standards of conduct in local government are therefore needed to protect the integrity of decision-making, maintain public confidence, and safeguard local democracy.

Our evidence supports the view that the vast majority of councillors and officers maintain high standards of conduct. There is, however, clear evidence of misconduct by some councillors. The majority of these cases relate to bullying or harassment, or other disruptive behaviour. There is also evidence of persistent or repeated misconduct by a minority of councillors.

We are also concerned about a risk to standards under the current arrangements, as a result of the current rules around declaring interests, gifts and hospitality, and the increased complexity of local government decision-making.

Giving local authorities responsibility for ethical standards has a number of benefits. It allows for flexibility and the discretion to resolve standards issues informally. We have considered whether there is a need for a centralised body to govern and adjudicate on standards. We have concluded that whilst the consistency and independence of the system could be enhanced, there is no reason to reintroduce a centralised body, and that local

authorities should retain ultimate responsibility for implementing and applying the Seven Principles of Public Life in local government.

We have made a number of recommendations and identified best practice to improve ethical standards in local government. Our recommendations are made to government and to specific groups of public office-holders. We recommend a number of changes to primary legislation, which would be subject to Parliamentary timetabling; but also to secondary legislation and the Local Government Transparency Code, which we expect could be implemented more swiftly. Our best practice recommendations for local authorities should be considered a benchmark of good ethical practice, which we expect that all local authorities can and should implement. We will review the implementation of our best practice in 2020.

Codes of conduct

Local authorities are currently required to have in place a code of conduct of their choosing which outlines the behaviour required of councillors. There is considerable variation in the length, quality and clarity of codes of conduct. This creates confusion among members of the public, and among councillors who represent more than one tier of local government. Many codes of conduct fail to address adequately important areas of behaviour such as social media use and bullying and harassment. An updated model code of conduct should therefore be available to local authorities in order to enhance the consistency and quality of local authority codes.

There are, however, benefits to local authorities being able to amend and have ownership of their own codes of conduct. The updated model code should therefore be voluntary and able to be adapted by local authorities. The scope of the code of conduct should also be widened, with a rebuttable presumption that a councillor's public behaviour, including comments made on publicly accessible social media, is in their official capacity.

Declaring and managing interests

The current arrangements for declaring and managing interests are unclear, too narrow and do not meet the expectations of councillors or the public. The current requirements for registering interests should be updated to include categories of non-pecuniary interests. The current rules on declaring and managing interests should be repealed and replaced with an objective test, in line with the devolved standards bodies in Scotland, Wales and Northern Ireland.

Investigations and safeguards

Monitoring Officers have responsibility for filtering complaints and undertaking investigations into alleged breaches of the code of conduct. A local authority should maintain a standards committee. This committee may advise on standards issues, decide on alleged breaches and sanctions, or a combination of these. Independent members of decision-making standards committees should be able to vote.

Any standards process needs to have safeguards in place to ensure that decisions are made fairly and impartially, and that councillors are protected against politically-motivated, malicious, or unfounded allegations of misconduct. The Independent Person is an important safeguard in the current system. This safeguard should be strengthened and clarified: a local authority should only be able to suspend a councillor where the Independent

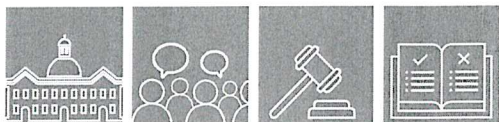
Person agrees both that there has been a breach and that suspension is a proportionate sanction. Independent Persons should have fixed terms and legal protections. The view of the Independent Person in relation to a decision on which they are consulted should be published in any formal decision notice.

Sanctions

The current sanctions available to local authorities are insufficient. Party discipline, whilst it has an important role to play in maintaining high standards, lacks the necessary independence and transparency to play the central role in a standards system. The current lack of robust sanctions damages public confidence in the standards system and leaves local authorities with no means of enforcing lower level sanctions, nor of addressing serious or repeated misconduct.

Local authorities should therefore be given the power to suspend councillors without allowances for up to six months. Councillors, including parish councillors, who are suspended should be given the right to appeal to the Local Government Ombudsman, who should be given the power to investigate allegations of code breaches on appeal. The decision of the Ombudsman should be binding.

The current criminal offences relating to Disclosable Pecuniary Interests are disproportionate in principle and ineffective in practice, and should be abolished.



Town and parish councils

Principal authorities have responsibility for undertaking formal investigations of code breaches by parish councillors. This should remain the case. This responsibility, however, can be a disproportionate burden for principal authorities. Parish councils should be required to adopt the code of their principal authority (or the new model code), and a principal authority's decision on sanctions for a parish councillor should be binding. Monitoring Officers should be provided with adequate training, corporate support and resources to undertake their role in providing support on standards issues to parish councils, including in undertaking investigations and recommending sanctions. Clerks should also hold an appropriate qualification to support them to uphold governance within their parish council.

Supporting officers

The Monitoring Officer is the lynchpin of the current standards arrangements. The role is challenging and broad, with a number of practical tensions and the potential for conflicts of interest. Local authorities should put in place arrangements to manage any potential conflicts. We have concluded, however, that the role is not unique in its tensions and can be made coherent and manageable with the support of other statutory officers. Employment protections for statutory officers should be extended, and statutory officers should be supported through training on local authority governance.

Councils' corporate arrangements

At a time of rapid change in local government, decision-making in local councils is getting more complex, with increased commercial activity and partnership working. This complexity risks putting governance under strain. Local authorities setting up separate bodies risk a governance 'illusion', and should

take steps to prevent and manage potential conflicts of interest, particularly if councillors sit on these bodies. They should also ensure that these bodies are transparent and accountable to the council and to the public.

Our analysis of a number of high-profile cases of corporate failure in local government shows that standards risks, where they are not addressed, can become risks of corporate failure. This underlines the importance of establishing and maintaining an ethical culture.

Leadership and culture

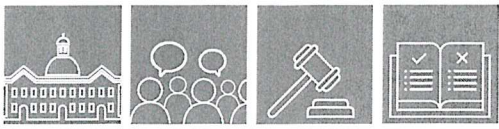
An ethical culture requires leadership. Given the multi-faceted nature of local government, leadership is needed from a range of individuals and groups: an authority's standards committee, the Chief Executive, political group leaders, and the chair of the council.

Political groups have an important role to play in maintaining an ethical culture. They should be seen as a semi-formal institution sitting between direct advice from officers and formal processes by the council, rather than a parallel system to the local authority's standards processes. Political groups should set clear expectations of behaviour by their members, and senior officers should maintain effective relationships with political groups, working with them informally to resolve standards issues where appropriate.

The aim of a standards system is ultimately to maintain an ethical culture and ethical practice. An ethical culture starts with tone. Whilst there will always be robust disagreement in a political arena, the tone of engagement should be civil and constructive. Expected standards of behaviour should be embedded through effective induction and ongoing training. Political groups should require their members to attend code of conduct training provided by a local authority, and this should also be

written into national party model group rules. Maintaining an ethical culture day-to-day relies on an impartial, objective Monitoring Officer who has the confidence of all councillors and who is professionally supported by the Chief Executive.

An ethical culture will be an open culture. Local authorities should welcome and foster opportunities for scrutiny, and see it as a way to improve decision making. They should not rely unduly on commercial confidentiality provisions, or circumvent open decision-making processes. Whilst local press can play an important role in scrutinising local government, openness must be facilitated by authorities' own processes and practices.

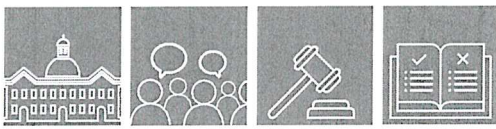


List of recommendations

List of recommendations

Number	Recommendation	Responsible body
1	The Local Government Association should create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government.	Local Government Association
2	The government should ensure that candidates standing for or accepting public offices are not required publicly to disclose their home address. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to clarify that a councillor does not need to register their home address on an authority's register of interests.	Government
3	Councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly-accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.	Government
4	Section 27(2) of the Localism Act 2011 should be amended to state that a local authority's code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority.	Government
5	The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to include: unpaid directorships; trusteeships; management roles in a charity or a body of a public nature; and membership of any organisations that seek to influence opinion or public policy.	Government
6	Local authorities should be required to establish a register of gifts and hospitality, with councillors required to record any gifts and hospitality received over a value of £50, or totalling £100 over a year from a single source. This requirement should be included in an updated model code of conduct.	Government

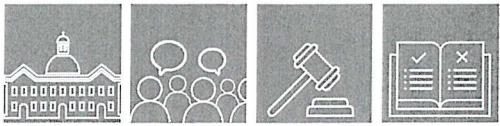
Number	Recommendation	Responsible body
7	Section 31 of the Localism Act 2011 should be repealed, and replaced with a requirement that councils include in their code of conduct that a councillor must not participate in a discussion or vote in a matter to be considered at a meeting if they have any interest, whether registered or not, “if a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your consideration or decision-making in relation to that matter”.	Government
8	The Localism Act 2011 should be amended to require that Independent Persons are appointed for a fixed term of two years, renewable once.	Government
9	The Local Government Transparency Code should be updated to provide that the view of the Independent Person in relation to a decision on which they are consulted should be formally recorded in any decision notice or minutes.	Government
10	A local authority should only be able to suspend a councillor where the authority’s Independent Person agrees both with the finding of a breach and that suspending the councillor would be a proportionate sanction.	Government
11	Local authorities should provide legal indemnity to Independent Persons if their views or advice are disclosed. The government should require this through secondary legislation if needed.	Government / all local authorities
12	Local authorities should be given the discretionary power to establish a decision-making standards committee with voting independent members and voting members from dependent parishes, to decide on allegations and impose sanctions.	Government
13	Councillors should be given the right to appeal to the Local Government Ombudsman if their local authority imposes a period of suspension for breaching the code of conduct.	Government



List of recommendations

Number	Recommendation	Responsible body
14	The Local Government Ombudsman should be given the power to investigate and decide upon an allegation of a code of conduct breach by a councillor, and the appropriate sanction, on appeal by a councillor who has had a suspension imposed. The Ombudsman's decision should be binding on the local authority.	Government
15	The Local Government Transparency Code should be updated to require councils to publish annually: the number of code of conduct complaints they receive; what the complaints broadly relate to (e.g. bullying; conflict of interest); the outcome of those complaints, including if they are rejected as trivial or vexatious; and any sanctions applied.	Government
16	Local authorities should be given the power to suspend councillors, without allowances, for up to six months.	Government
17	The government should clarify if councils may lawfully bar councillors from council premises or withdraw facilities as sanctions. These powers should be put beyond doubt in legislation if necessary.	Government
18	The criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished.	Government
19	Parish council clerks should hold an appropriate qualification, such as those provided by the Society of Local Council Clerks.	Parish councils
20	Section 27(3) of the Localism Act 2011 should be amended to state that parish councils must adopt the code of conduct of their principal authority, with the necessary amendments, or the new model code.	Government
21	Section 28(11) of the Localism Act 2011 should be amended to state that any sanction imposed on a parish councillor following the finding of a breach is to be determined by the relevant principal authority.	Government
22	The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 should be amended to provide that disciplinary protections for statutory officers extend to all disciplinary action, not just dismissal.	Government

Number	Recommendation	Responsible body
23	The Local Government Transparency Code should be updated to provide that local authorities must ensure that their whistleblowing policy specifies a named contact for the external auditor alongside their contact details, which should be available on the authority's website.	Government
24	Councillors should be listed as 'prescribed persons' for the purposes of the Public Interest Disclosure Act 1998.	Government
25	Councillors should be required to attend formal induction training by their political groups. National parties should add such a requirement to their model group rules.	Political groups National political parties
26	Local Government Association corporate peer reviews should also include consideration of a local authority's processes for maintaining ethical standards.	Local Government Association



List of best practice

Our best practice recommendations are directed to local authorities, and we expect that any local authority can and should implement them. We intend to review the implementation of our best practice in 2020.

Best practice 1: Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

Best practice 2: Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation, and prohibiting trivial or malicious allegations by councillors.

Best practice 3: Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

Best practice 4: An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

Best practice 5: Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

Best practice 6: Councils should publish a clear and straightforward public interest test against which allegations are filtered.

Best practice 7: Local authorities should have access to at least two Independent Persons.

Best practice 8: An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.

Best practice 9: Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

Best practice 10: A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

Best practice 11: Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk in all but exceptional circumstances.

Best practice 12: Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

Best practice 13: A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.

Best practice 15: Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

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SOUTH BUCKS DISTRICT COUNCIL

AUDIT & STANDARDS COMMITTEE

STANDARDS WORK PROGRAMME

2019/2020

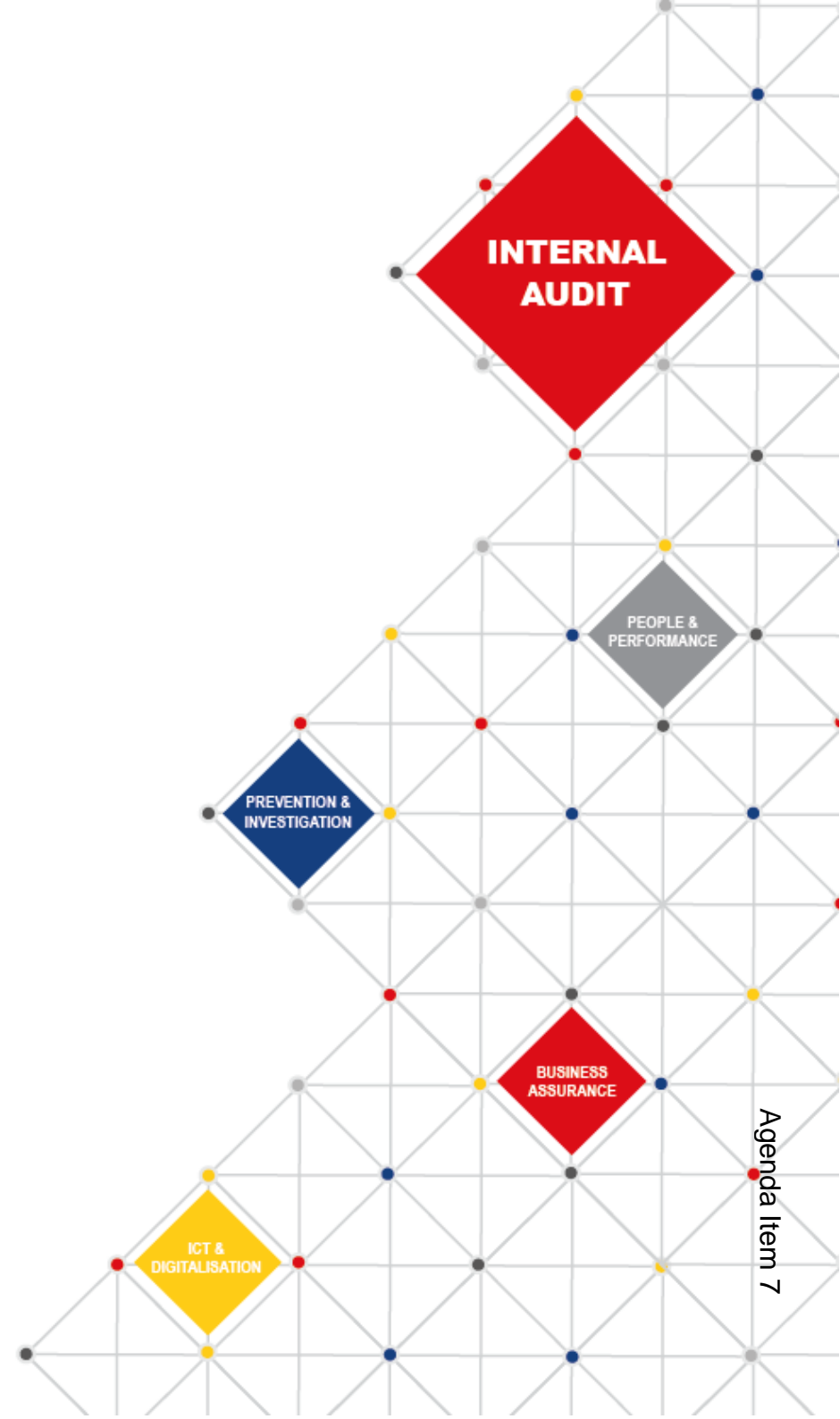
		2019		2020	
	Contact	10.07.19	23.09.19	14.01.20	19.03.20
10.07.19					
<ul style="list-style-type: none"> Complaints Monitoring Report 2018/19 	Joanna Swift	X			
<ul style="list-style-type: none"> Code of Conduct and complaints procedures for Buckinghamshire Council as a Shadow Authority 	Joanna Swift	X			
23.09.19					
<ul style="list-style-type: none"> Annual Review of Code of Conduct and Complaints Procedure 	Joanna Swift		X		
<ul style="list-style-type: none"> Committee on Standards in Public Life Annual Report 	Joanna Swift		X		
14.01.20					
<ul style="list-style-type: none"> Proposed Code of Conduct and complaints procedures for Buckinghamshire Council 	Joanna Swift			X	
19.03.20					
<ul style="list-style-type: none"> Code of Conduct and complaints procedure for Buckinghamshire Council 	Joanna Swift				X
<ul style="list-style-type: none"> Complaints Monitoring Report 2019/20 	Joanna Swift				X

South Bucks District Council

Internal Audit Annual Report

March 2019

FINAL



Internal Audit Annual Report

INTRODUCTION

This is the 2018/19 Annual Report by TIAA on the internal control environment at South Bucks District Council. The annual internal audit report summaries the outcomes of the reviews we have carried out on the organisation's framework of governance, risk management and control. This report is designed to assist the Council in making its annual governance statement.

HEAD OF INTERNAL AUDIT'S ANNUAL OPINION

I am satisfied that sufficient internal audit work has been undertaken to allow me to draw a positive conclusion as to the adequacy and effectiveness of South Bucks District Council's risk management, control and governance processes. In my opinion, South Bucks District Council has adequate and effective management, control and governance processes in place to manage the achievement of their objectives.

INTERNAL AUDIT PLANNED COVERAGE AND OUTPUT

The 2018/19 Annual Audit Plan approved by the Audit and Standards Committee was for 330 days of internal audit coverage in the year (to include Chiltern District Council). During the year there were several changes to the Audit Plan and these changes were approved by the Audit and Standards Committee.

The majority of the planned work has been carried out and the reports have been issued (Annex A).

ASSURANCE

TIAA carried out or are in the process of carrying out some 25 reviews, which were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve the Council's objectives. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided. Details of these are provided in Annex A and a summary is set out below.

Assurance Assessments	Number of Reviews	Previous Year
Substantial Assurance	12	16
Reasonable Assurance	1	6
Limited Assurance	-	1
No Assurance	-	-

The areas on which the assurance assessments have been provided can only provide reasonable and not absolute assurance against misstatement or loss and their effectiveness is reduced if the internal audit recommendations made during the year have not been fully implemented.

We made the following total number of recommendations on our audit work carried out in 2018/19.

Urgent	Important	Routine
-	6	19

AUDIT SUMMARY

Control weaknesses: There were no areas reviewed by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided 'limited' or 'no assurance'.

Recommendations Made: We have analysed our findings/recommendations by risk area and these are summarised below.

Risk Area	Urgent	Important	Routine
Directed	-	3	3
Compliance	-	2	17
Operational	-	-	-
Reputational	-	-	-

Operational Effectiveness Opportunities: One of the roles of internal audit is to add value and during the financial year we provided advice on opportunities to enhance the operational effectiveness of the areas reviewed and the number of these opportunities is summarised below.

Operational
4

INDEPENDENCE AND OBJECTIVITY OF INTERNAL AUDIT

There were no limitations or restrictions placed on the internal audit service which impaired either the independence or objectivity of the service provided.

PERFORMANCE AND QUALITY ASSURANCE

The following Performance Targets were used to measure the performance of internal audit in delivering the Annual Plan.

Performance Measure	Target	Attained
Completion of Planned Audits	100%	60%
Audits Completed in Time Allocation	100%	90%
Final report issued within 10 working days of receipt of responses	95%	100%
Compliance with Public Sector Internal Audit Standards	100%	100%

Ongoing quality assurance work was carried out throughout the year and we continue to comply with ISO 9001:2015 standards. An independent external review was carried out of our compliance of the Public Sector Internal Audit Standards (PSIAS) in 2017 and in particular to meet the requirement of an independent five year review, the outcome confirmed full compliance with all the standards. Our work also complies with the IIA-UK Professional Standards.

RELEASE OF REPORT

The table below sets out the history of this Annual Report.

Date Report issued:	18 March 2019
---------------------	---------------

Annexes

Annex A

Actual against planned Internal Audit Work 2018/19

System	Type	Planned Days	Actual Days	Assurance Assessment	Comments
Governance	Assurance	8	8		In progress
Risk Management	Assurance	0(8)	0		Cancelled
Procurement	Assurance	8	8		In progress
Counter Fraud	Assurance	8	8	No opinion	Draft
Data Protection	Assurance	0(8)	0		Cancelled
Business Continuity	Assurance	7	7	Substantial	
Purchase Cards	Assurance	8	8	Reasonable	
Expenses	Assurance	8	8	Substantial	
Project Management	Assurance	8	8		In progress
Main Accounting	Assurance	7	7	Substantial	
Payroll	Assurance	15	15	Substantial	
Accounts Receivable (Debtors)	Assurance	8	8	Substantial	
Accounts Payable (Creditors)	Assurance	8	8	Substantial	
Benefits	Assurance	13	13		Q1 19/20
Council Tax Support	Assurance	13	13		Q1 19/20
Council Tax and NDR	Assurance	25	25		Q1 19/20
Cash and Bank	Assurance	7	7	Substantial	
Budgetary Control	Assurance	7	7	Substantial	
ICT - Annual Network Audit	Assurance	6	6		In progress

ICT - GDPR	Assurance	6	6		In progress
ICT - Customer Experience	Assurance	6	6		In progress
ICT – Members ICT Support	Assurance	0(6)			Cancelled
ICT – Cyber Security	Assurance	0(6)			Cancelled
ICT – User Access to Business Systems	Assurance	0(8)			Cancelled
Temporary Accommodation follow up	Assurance	8	8		In progress
Housing Section 106	Assurance	8	8		In progress
Disabilities Facilities Grant	Assurance	5	5	Substantial	
Safeguarding	Assurance	6	6	Substantial	
Contractor’s Health & Safety Arrangements	Assurance	8	8	Advisory	
Property & Asset Management	Assurance	8	8	Substantial	
Planning Development & Enforcement	Assurance	11	11		In progress
Building Control	Assurance	8	8		In progress
HR - Absence Management	Assurance	8	8	Substantial	

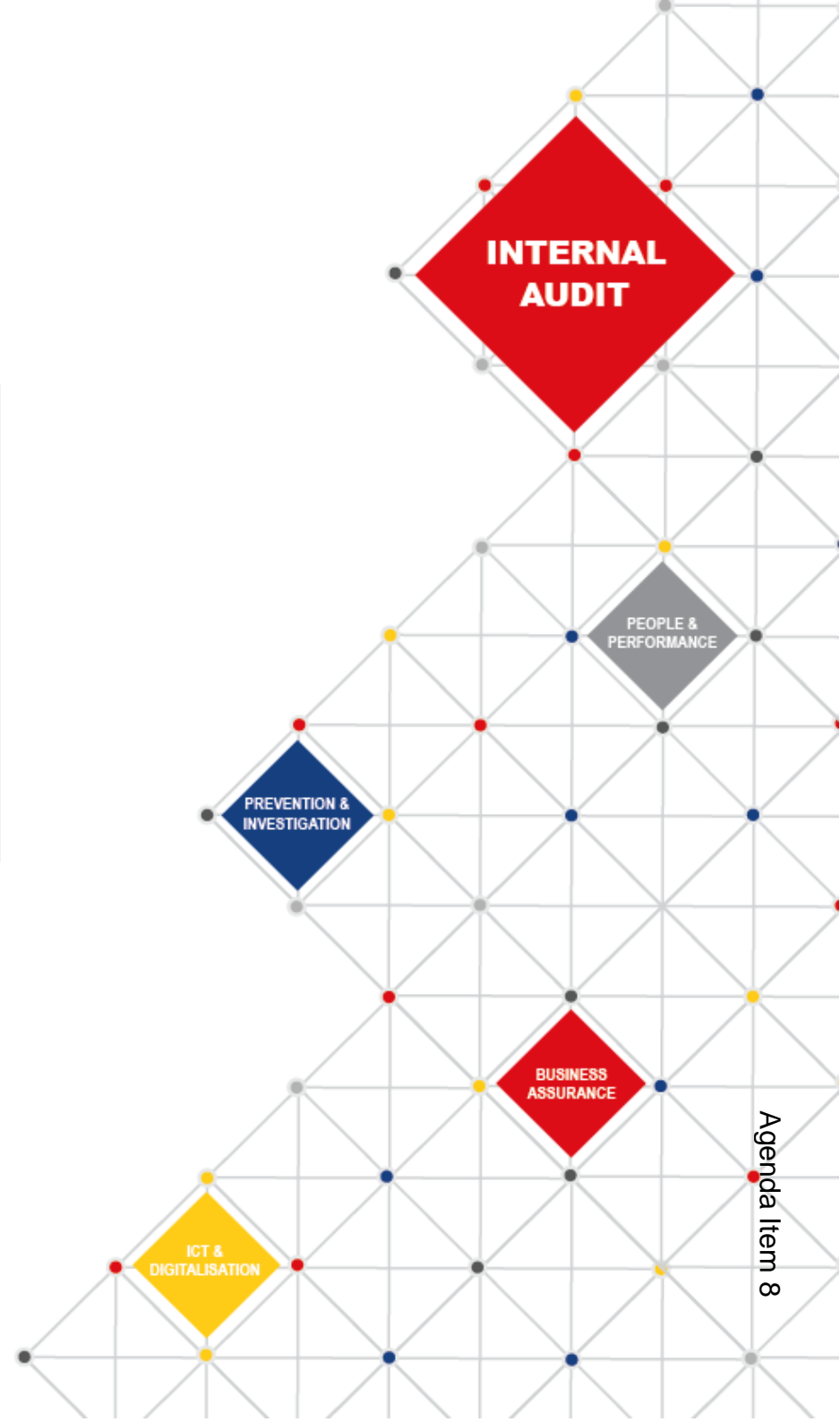
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South Bucks District Council

Internal Audit Progress Report 2018/19

Audit and Standards Committee 9 April 2019

FINAL



INTRODUCTION

1. This summary report provides the Audit and Standards Committee with an update on the progress of our work at South Bucks District Council as at 18 March 2019.

PROGRESS AGAINST THE 2018/19 ANNUAL PLAN

2. Our progress against the Annual Plan for 2018-19 is set out in Appendix A. The results of these reviews with recommendation priority 1 and 2 would be summarised at Appendix B however the four audits that were finalised in the period none had any recommendation priority 1 or 2.

EMERGING GOVERNANCE, RISK AND INTERNAL CONTROL RELATED ISSUES

4. We have not identified any emerging risks which could impact on the overall effectiveness of the governance, risk and internal control framework of the organisation.

AUDITS COMPLETED SINCE THE LAST REPORT TO COMMITTEE

5. The table sets out details of audits finalised since the previous meeting of the Audit and Standards Committee.

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM*
Main Accounting	Substantial	21.12.18	24.12.18	8.01.19	-	-	1	1
Debtors	Substantial	23.01.19	23.01.19	25.01.19	-	-	2	-
Creditors	Substantial	16.01.19	17.01.19	21.01.19	-	-	1	-
Property and Asset Management	Substantial	10.07.18	12.10.18	15.10.18	-	-	1	-
Contractor Health and Safety	Advisory	29.10.18	29.01.19	13.02.19	-	5	3	-
Cash and Bank	Substantial	20.03.19	22.03.19	27.03.19	-	-	-	-

*Operational Effectiveness Matters (these are good practice suggestions that have arisen during the audit)

CHANGES TO THE ANNUAL PLAN 2018/19

6. The following changes have been made to the audit plan for 2018/19

Review	In strategic plan for 2018/19	Change made	Rationale for the change
HR Absence Management	Omitted in error	An addition to the plan	This audit was carried forward from 2017/18 and initially missed from the 2018/19 plan
ICT Members ICT Support	Yes	Delete	
ICT Cyber Security	Yes	Delete	Covered by the PSN review audit not required
ICT User Access to Business Systems	Yes	Delete	Covered by the PSN review audit not required
Fareham Park - Leases	Yes	Delete	To be undertaken in 2019/20
Data protection	Yes	Delete	ICT GDPR audit being undertaken this year
Risk Management	Yes	Delete	This is covered by the ongoing Risk Management assistance
Benefits	Yes	Deferred to Q1 19/20	Due to bringing the South Bucks Council Tax process back in house and the projected Unitary arrangements from April 2020 it has been agreed to delay this audit to 2019/20.
Council Tax Support	Yes	Deferred to Q1 19/20	Ditto
Council Tax and NDR	Yes	Deferred to Q1 19/20	Ditto

FRAUDS/IRREGULARITIES

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

LIAISON

8. We liaise with EY and provide reports and working paper files, as required.

We have regular client meetings with the Audit, Fraud and Error Reduction Manager and Head of Finance.

PROGRESS ACTIONING PRIORITY 1 RECOMMENDATIONS

9. We have not made any Priority 1 recommendations (i.e. fundamental control issue on which action should be taken immediately) since the previous Progress Report

RISK MANAGEMENT

9. The Audit Director with TIAA and the Councils Audit, Fraud & Error Reduction Manager meet on a regular basis to discuss and action Risk Management matters for both Councils.

The current Risk Procedures/Guidance for Risk Management is being reviewed and progress is being made to display appropriate information on Risk Management throughout both Councils. This will include posters on all notice boards at the main civic offices for South Bucks and Chiltern Councils, as well as data on the Councils intranet.

Appropriate training has been developed and has been delivered on "Risk Management in a Changing Environment" for all middle managers.

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 2018/19

System	Planned Quarter	Days	Current Status	Comments
Governance	3	8	Draft report issued 29 March 2019	
Risk Management	3	0(8)		Cancelled
Procurement	2	8	In progress	
Counter Fraud	1	8	Draft report issued 20 February 2019	
Data Protection	2	0(8)		Cancelled
Business Continuity	2	7	Final report issued 3 August 2018	
Purchase Cards	2	8	Final report issued 20 th September 2018	
Expenses	1	8	Final report issued 22 August 2018	
Project Management	2	8	Draft report issued 29 March 2019	
Main Accounting	3 or 4	7	Final report issued 8 January 2019	
Payroll	3 or 4	15	Draft report issued 8 March 2019	
Accounts Receivable (Debtors)	3 or 4	8	Final report issued 25 January 2019	
Accounts Payable (Creditors)	3 or 4	8	Final report issued 21 January 2019	
Benefits	3 or 4	13	Audit deferred to Q1 2019/20	
Council Tax Support	3 or 4	13	Audit deferred to Q1 2019/20	
Council Tax and NDR	3 or 4	25	Audit deferred to Q1 2019/20	
Cash and Bank	3 or 4	7	Final report issued 27 March 2019	
Budgetary Control	3 or 4	7	Final report issued 4 March 2019	
ICT - Annual Network Audit	3 or 4	6	In progress	
ICT - GDPR	2	6	In progress	

System	Planned Quarter	Days	Current Status	Comments
ICT - Customer Experience	2	6	In progress	
ICT – Members ICT Support		0(6)		Cancelled
ICT – Cyber Security		0(6)		Cancelled
ICT – User Access to Business Systems		0(8)		Cancelled
Temporary Accommodation follow up	2	8	In progress	
Housing Section 106	2	8	In progress	
Disabilities Facilities Grant	1	5	Final report issued 27 June 2018	
Safeguarding	1	6	Final report issued 3 August 2018	
Contractor’s Health & Safety Arrangements	2	8	Final report issued 13 February 2019	
Property & Asset Management	2	8	Final report issued 15 October 2018	
Planning Development & Enforcement	2	11	In progress	
Building Control	1	8	In progress	
HR - Absence Management	4	8	Final report issued 20.12.18	Additional audit carried forward from 2017/18
<u>Farnham Park</u>				
Leases	1/2	0(6)		Cancelled

KEY:

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

Audits Finalised since last Audit Committee

Title of review: **Contractor's Health and Safety Arrangements**

Date issued: **13 February 2019**

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	It was observed that the old version of the contractors' policy was still being made available on the intranet along with the newly revised series of forms. It was also noted that staff appear to still be referencing the old policy rather than the new one. In addition, although the new contractor set of forms were found in the contractor folder in the health and safety policies section along with the old procedure and policy, the old forms were still found in the intranet on the icon "forms and templates." This is likely to be very confusing for the managers as was evidenced during this review when testing compliance against a random set of purchase orders.	Replace the old contractor policy with the new version on the intranet and inform staff where it can be found. To compliment the revised policy, replace the old series of contractor forms with the revised series.	2	<p><i>We will continue to use the procedure written by CM for Environment as this was previously approved by TIAA</i></p> <p><i>The policy on the intranet is out of date and is not owned by Environment. It needs to be re-written in conjunction with other service areas and then approved by MT.</i></p>	<p><i>On-going</i></p> <p><i>April 2019</i></p>	<p><i>CM</i></p> <p><i>AC</i></p>

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Directed	As the scope of the newly revised contractor policy incorporated best practice for local services to design their own specific local procedures, it would allow the different services to tailor their approach to the management of contractors to a degree whilst still working with the revised forms under the holistic policy. Environmental services evidenced a local procedure dated May 2017 and was found in the health and safety policy and performance folder under contractor policies. Due to the review of the contractor policy, a revised local procedure was produced in December 2017. However this procedure was not found on the intranet but rather only the older version.	Replace the old Environmental services contractor procedure found on the intranet with the revised version dated December 2017.	2	<i>Request intranet page owner to replace Environment procedure with the correct one (and delete old forms).</i>	31/01/19	AC
3	Directed	It could not be determined who is responsible for updating policies, procedures and forms on the intranet at the time. Through discussions with the leads it was felt that no one had responsibility for keeping track or updating policies on the intranet.	Review the internal ratification process to ensure the policies and procedures are relevant, up to date and that approved forms and documentation has gone through the established consultation and ratification process.	2	<i>Clarify who owns policy and agree who owns related procedures.</i>	28/02/19	AC
Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
6	Compliance	It was observed that documents filed as evidence were not always systematically filed. Some documents in addition were being misfiled or were found to be missing. A systematic organised structure, requiring all staff to follow the same filing principles for archiving contractor information, would be greatly beneficial to the service moving forward.	The Councils must ensure a consistent filing methodology for archiving its contract management documentation and review the viability of software to assist with this.	2	<p><i>The folders do need to be tidied up: some docs are mis-filed, not all data held are relevant to H&S, a few documents are missing. This exercise will be carried out by team managers.</i></p> <p><i>In future we need to check folders are being used correctly. Regular checks will be carried out by team managers.</i></p> <p><i>A cost/benefit exercise will be undertaken in order to evaluate software.</i></p>	<p>31/01/19</p> <p>On-going</p> <p>31/05/19</p>	<p>LN/KK</p> <p>LN/KK</p> <p>AC</p>
8	Compliance	Out of the six purchase orders reviewed, none of the six fully complied with the organisation policy, either due to documents being missing or in some cases where risk assessments and method statements did not fully describe the relevant risks and method for work. It is for this reason the form series was designed to ensure all necessary information is given and received.	Service managers must ensure that all relevant documentation is requested and sent or received in line with policy requirements. All relevant documentation received must be reviewed prior to work commencement and filed in accordance with the policy.	2	<p><i>RAMS must be relevant to the specific jobs and not just general risks. Documentation must be complete and correctly filed.</i></p> <p><i>Team managers will check this on a regular basis.</i></p>	On-going	LN/KK

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The Members of the Audit and Standards Committee
 South Bucks District Council
 Capswood
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 Bucks
 UB9 4LH

18 March 2019

Direct line: 0118 928 1167
 Email: abrittain@uk.ey.com

Dear Members

Certification of claims and returns annual report 2017-18 South Bucks District Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on South Bucks District Council's 2017-18 claim.

Scope of work

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

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2017-18, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions.

Summary

The report outlines the results of our 2017-18 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £15,259,119 and met the submission deadline. We issued a qualification letter: details of the qualification matters are included in the report. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

Fees for certification and other returns work are summarised in the report. The housing benefits subsidy claim fees for 2017-18 were published by the Public Sector Audit Appointments Ltd (PSAA) and are available on the PSAA's website (www.psaa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the April 2019 Audit and Standards Committee.

Yours sincerely

Andrew Brittain
 Associate Partner
 Ernst & Young LLP

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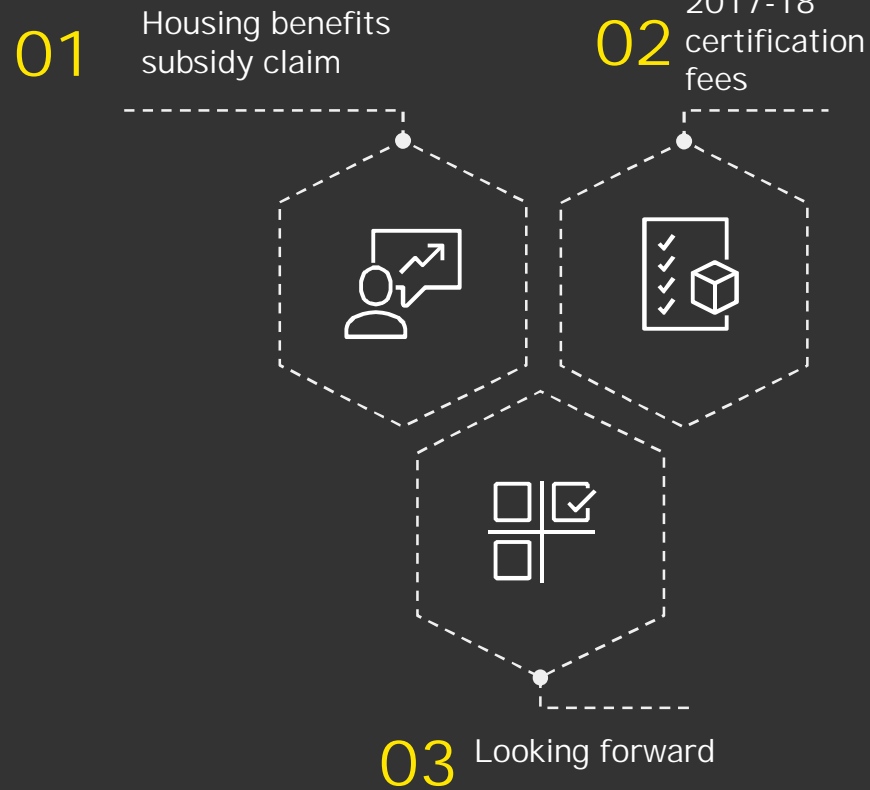
Certification of claims and returns annual report 2017-18

18 March 2019



Building a better
working world

Contents



This report is made solely to the Audit and Standards Committee and management of South Bucks District Council. Our work has been undertaken so that we might state to the Audit and Standards Committee and management of South Bucks District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Standards Committee, and management of South Bucks District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Housing benefits subsidy claim



Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£15,259,119
Amended/Not amended	Amended: no effect on overall subsidy
Qualification letter	Yes
Fee – 2017-18	£21,067
Fee – 2016-17	£24,985

Local Government administers the Government’s housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires reporting accountants to complete more extensive ‘40+’ or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the certification of previous years’ claims. We found errors and carried out extended testing in several areas.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out more work to quantify the error or to claw back the benefit subsidy paid.

These are the main issues we reported:

Amendment was required for non-HRA claims where tax credits had been incorrectly applied, earned income incorrectly calculated, and for misclassification between cells 27 and 28. We carried out 40+ extended testing on two other aspects of non-HRA claims and calculated extrapolations which the DWP may decide to claw back from the Authority (these were service charges and misclassification between cells 12, 14 and 15).

We carried out 40+ extended testing on five areas of rent allowance testing: incorrect assessment of rent/ quarterly support charge, incorrect application of occupational pension income, earned income, non-dependants, and couples with SDP.

We are pleased to note that the cumulative impact of these extrapolations falls below the lower threshold for local authority error allocated by the DWP. This means that they do not claw back subsidy at the higher level as they would do if the threshold were breached.

The certification work is both specialised and time-consuming, so we would like to thank the Council’s benefits staff for their assistance throughout the process.



02

2017-18 certification fees





2017-18 certification fees

The PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017-18, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) and are available on their website (www.psa.co.uk).

Claim or return	2017-18 Proposed fee £	2017-18 Indicative fee £	2016-17 Actual fee £
Housing benefits subsidy claim	21,067	19,280	24,985

The indicative fee for 2017-18 was based on the actual certification work done in 2015-16. Extra work was required in 2016-17 and there were follow-up queries from DWP. The proposed final fee for 2017-18 is £21,067, and is because we had to complete more extended 40+ testing than in 2015-16, the base year used by PSAA to calculate the scale fee. The extra fee is subject to PSAA approval.



03

Looking forward



Looking forward

2018-19 and beyond

From 2018-19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

As your appointed auditor for the financial statements audit, we are pleased that for 2018-19 (and by annual review thereafter) the Council has appointed us to act as reporting accountants for the housing benefits scheme.

We welcome this opportunity to continue undertaking this work for the Council providing a seamless quality service, drawing on vast array of experienced and knowledgeable public sector professionals in these areas, whilst realising the synergies and efficiencies that are achieved by undertaking both the audit and grant work.

About EY

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ED None

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South Bucks
District Council
Audit planning report
Year ended 31 March 2019

9 April 2019



Building a better
working world

Private and Confidential
Members of the Audit and Standards
Committee
South Bucks District Council
Capswood
Denham UB9 4LH

9 April 2019

Dear Audit and Standards Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Standards Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, 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.

This report is intended solely for the information and use of the Audit and Standards Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 9 April 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Paul King
For and on behalf of Ernst & Young LLP
Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between 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 "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit and Standards Committee and management of South Bucks District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Standards Committee, and management of South Bucks District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Standards Committee and management of South Bucks District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

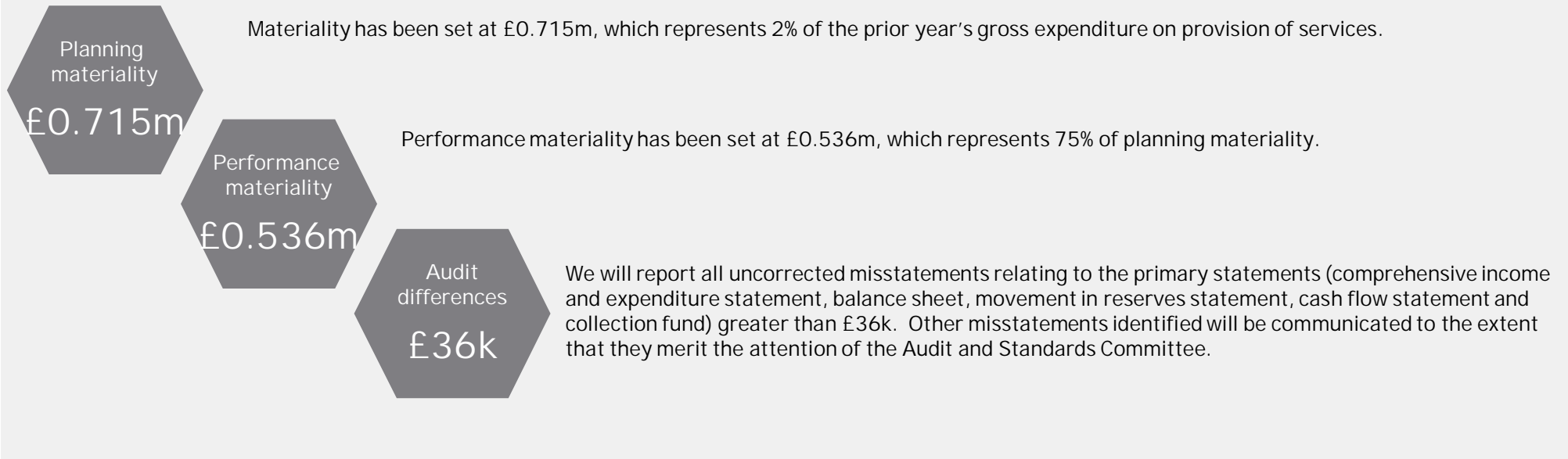
Overview of our 2018/19 audit strategy



Overview of our 2018/19 audit strategy

Materiality- South Bucks District Council

Materiality



Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Standards Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year. See section 02 for more information and our intended audit response.

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk of focus	As identified in ISA 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 would otherwise appear to be operating effectively. In addition to our overall response, we consider where these risks may manifest themselves and identify separate fraud risks as necessary below.
Risk of fraud in revenue recognition - Inappropriate capitalisation of capital expenditure	Fraud risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. Practice note 10 issued by the Financial Reporting Council, states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. The potential for the inappropriate capitalisation of capital expenditure as revenue is a particular area where there is a risk of fraud in revenue recognition at South Bucks District Council because of its potential impact on revenue expenditure.
Property valuations	Inherent risk	No change in risk or focus	The material nature of the Council's non-current assets and the basis on which they are valued, means that small changes in assumptions when valuing these assets can have a material impact on the financial statements and therefore the balances are susceptible to misstatement.
Pension valuation	Inherent risk	No change in risk or focus	The material nature of the Council's net pension liability, and the basis on which it is valued, means that small changes in assumptions when valuing this liability can have a material impact on the financial statements and therefore the balance is susceptible to misstatement.
Group accounting	Inherent risk	New risk identified this year.	The Council's wholly owned property subsidiary, Consilio (set up in 2017), has begun trading, and we understand that there has been a material transaction in 2018/19. This means that the Council needs to produce group accounts for the first time and consolidate appropriately. This makes the financial statements more complex.
New accounting standards	Inherent risk	New risk identified this year	IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from contracts) apply from 1 April 2018. We will assess the impact of these new standards to determine whether they have been appropriately implemented by the Council.



02

Audit risks



Our response to significant risks

Risk of misstatements due to fraud or error

What is the risk?

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.

What will we do?

- Inquiry of management about risks of fraud and the controls put in place 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.

Performing mandatory procedures regardless of specifically identified fraud risks, including:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
- Assessing accounting estimates for evidence of management bias, and
- Evaluating the business rationale for significant unusual transactions.

In addition to our overall response, we consider where these risk may manifest themselves and identify separate fraud risks as necessary below.

Risk of fraud in revenue & expenditure recognition - Inappropriate capitalisation of capital expenditure

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition.

We have considered this presumed risk in relation to those significant income streams and areas of expenditure which could be subject to manipulation, and identified the following area of risk:

- inappropriate capitalisation of revenue expenditure

What will we do?

- Review and test revenue and expenditure recognition policies;
- Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
- Develop a testing strategy to test material revenue and expenditure streams and review and test any material revenue cut-off at the period end date;
- Review in-year financial capital projections and compare them to year-end position; and
- Review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Valuation of Land and Buildings</p> <p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represents significant balances in the Council's accounts and is subject to valuation changes and impairment reviews. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Consider any work performed by the Council's internal and external valuers, (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; • Sample test key asset information used by the valuers in performing their valuation (e.g. building areas to support valuations based on price per square metre); • Consider using our valuation experts if necessary to gain the required assurance; • Consider the annual cycle of valuations to ensure that assets have been valued within a five-year rolling programme as required by the Code for PPE, and annually for IP. We also consider if there are any specific changes to assets communicated to the valuer; • Review assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated; • Consider changes to useful economic lives as a result of the most recent valuation; and • Test accounting entries have been correctly processed in the financial statements,

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Pension Asset Valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.</p> <p>The Council's pension fund liability is a material estimated balance and the Code requires that this asset be disclosed on the Council's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary Barnett Waddingham.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Undertake IAS19 protocol procedures assisted by the pension fund audit team to obtain assurances over the information supplied to the actuary in relation to South Bucks District Council; • Assess the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they have used. We do this by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors - and considering any relevant reviews by the EY actuarial team; and • Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
<p>Group accounting</p> <p>The Council's wholly owned property subsidiary, Consilio (set up in 2017), has begun trading and we understand that there have been material transactions in 2018/19. This means that the Council needs to produce group accounts for the first time and consolidate appropriately. This makes the financial statements more complex.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Clarify the scope of group accounting for the financial statements; • Vouch directly the single material transaction of £5.4m to gain assurance; • Audit the consolidation of Consilio Properties and the preparation of the Group financial statements; and • Liaise as appropriate with the auditors of Consilio Properties.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

What will we do?

IFRS 9 financial instruments

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:

- How financial assets are classified and measured;
- How the impairment of financial assets are calculated; and
- The disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

IFRS 15 Revenue from contracts with customers

This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.

The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.

The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

We will:

- Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Consider the classification and valuation of financial instrument assets;
- Review new expected credit loss model impairment calculations for assets; and
- Check additional disclosure requirements.

We will:

- Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;
- Consider application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- Check additional disclosure requirements.



03

Value for Money Risks





Background

We are required to consider whether the Council has 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise the Council's arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

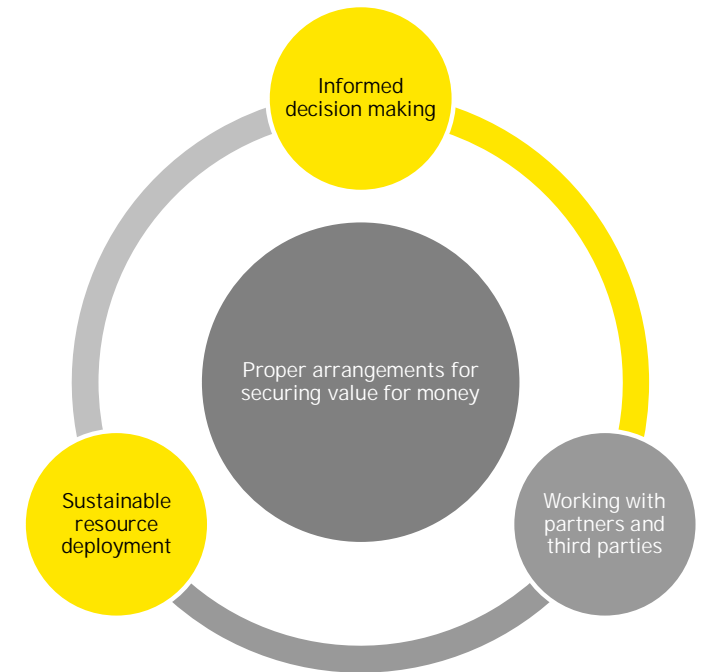
In considering this, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that the Council must already have, and to report on through documents such as the annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment enables us to plan the delivery of a safe conclusion on arrangements to secure value for money, and to determine the nature and extent of any further work necessary. If we do not identify any significant risks we do not need to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of issues identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. We have identified one potential significant risk. As a result of the 1 November 2018 announcement by MHCLG that a unitary authority for Buckinghamshire will be instituted from 1 April 2020, there may be an impact on the Council's capacity to manage its operations as well as planning a smooth transition; also on managing strategic risks and medium-term financial planning.





04

Audit materiality



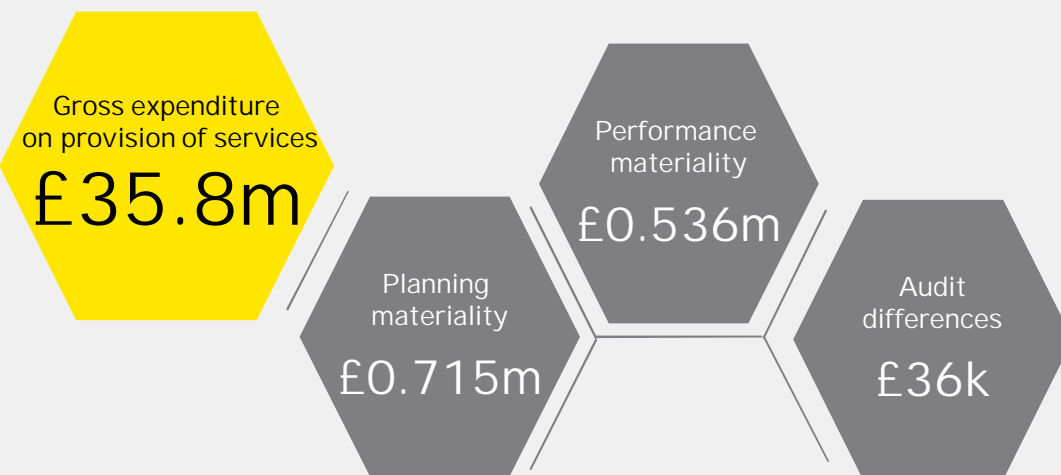
Materiality

Materiality

For planning purposes, materiality for 2018/19 has been set at £0.715m. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process.

The rationale for this is that for a public sector entity, the expectations of users (including regulators) of the entity are focused on the measurement of expenditure and cost of services. Therefore gross expenditure is the appropriate basis for determining materiality for public sector bodies.

We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit and Standards Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.536m which represents 75% of planning materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Standards Committee, or are important from a qualitative perspective.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice 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 an audit report that covers:

1. Financial statement audit

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

We also 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; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO [delete if not applicable]

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

Our initial assessment of the key processes across the Council has identified the following key processes where we will seek to rely on controls:

- Accounts Payables

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 and Standards Committee.

Internal audit:

We will meet the Head of Internal Audit regularly, and 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 they raise issues that could have an impact on the financial statements.



06

Audit team



Audit team and the use of specialists

The core audit team is lead by Paul King, Associate Partner and Malcolm Haines as Manager. Ben Cooper, Senior, will lead the fieldwork.

The use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Valuations Team
Pensions disclosure	EY Actuaries PWC report for the NAO on the four LGPS actuaries
Management's specialists	External valuer: Wilks, Head and Eve Actuary: Barnett Waddingham NDR Appeals provision: Analyse Local

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07 Audit timeline





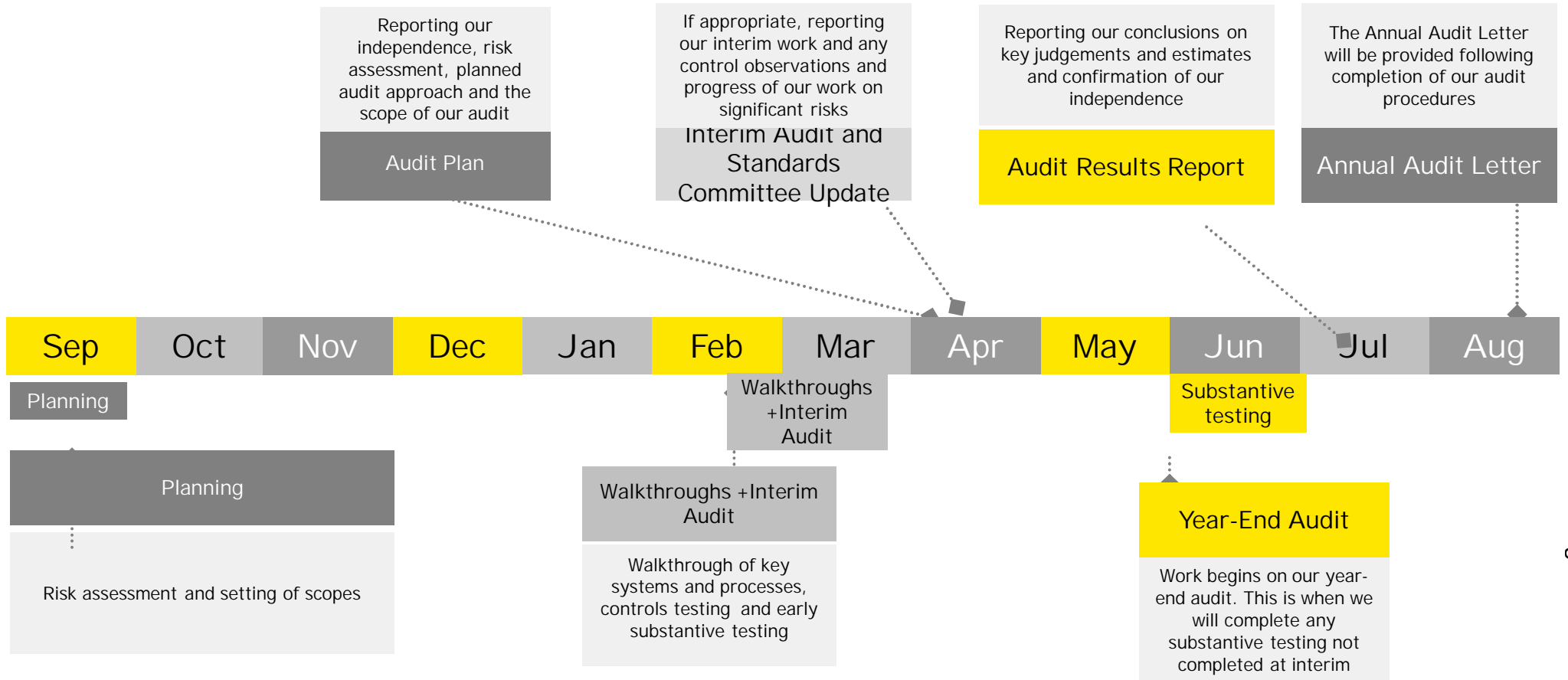
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

From time to time matters may arise that require immediate communication with the Audit and Standards Committee and we will discuss them with the Committee Chairman as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the 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.
- ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose 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 the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Written confirmation that all covered persons are independent;
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- ▶ An opportunity to discuss auditor independence issues.

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

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

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

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

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

Self interest threats

A self-interest threat arises when EY has financial or other interests in the Council. Examples include receiving 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.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non-audit to audit fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit to audit fees is approximately 0%. No additional safeguards are required.

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

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

Self-review threats

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

There are no self-review threats at this date.

Management threats

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

There are no management threats at this date.

Other threats

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

There are no such threats at this date.

Other communications

EY Transparency Report 2017

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Indicative fee 2018/19	Actual fee 2017/18	Actual Fee 2016/17
	£	£	£
Total Fee – Code work	32,647***	42,399	42,399
Total audit	32,647	42,399	42,399
Certification work on Housing Benefits	9,915*	21,067**	24,985
Total other non-audit services	9,915	21,067	24,985
Total fees	42,564	63,466	67,384

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All fees exclude VAT

*The indicative fee for certification work in 2018/19 does not include any extended testing that may be required and which is included in the comparative figures.

** This includes £1,787 additional fee to be approved by PSAA

*** There will be a scale fee variation for the additional work to audit the first-time production of group accounts in 2018/19. We will assess the extent of the additional work necessary and discuss the impact with management in the first instance.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meet the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion is unqualified;
- ▶ The Council provides appropriate quality documentation; 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

Required communications with the Audit and Standards Committee



We have detailed the communications that we must provide to the Audit and Standards Committee.



Our Reporting to you

Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit and Standards Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit planning report
Significant findings from the audit	<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 	Audit results report
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <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 	Audit results report




Required communications with the Audit and Standards Committee (continued)

Required communications	 What is reported?	 When and where
Misstatements	<ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Corrected misstatements that are significant • Material misstatements corrected by management 	Audit results report
Fraud	<ul style="list-style-type: none"> • Enquiries of the Audit and Standards 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 	Audit results report
Related parties	<ul style="list-style-type: none"> • Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • 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 	Audit results report
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Planning Report and Audit Results Report

Appendix B

Required communications with the Audit and Standards Committee (continued)

Our Reporting to you

Required communications	 What is reported?	  When and where
External confirmations	<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 	Audit results report
Consideration of laws and regulations	<ul style="list-style-type: none"> • Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off • Ask the Audit and Standards Committee about possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Standards Committee may be aware of 	Audit results report
Internal controls	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit 	Annual audit letter/audit results report
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report
Auditors report	<ul style="list-style-type: none"> • Key audit matters that we will include in our auditor’s report • Any circumstances identified that affect the form and content of our auditor’s report 	Audit results report
Fee Reporting	<ul style="list-style-type: none"> • Breakdown of fee information when the audit plan is agreed • Breakdown of fee information at the completion of the audit • Any non-audit work 	Audit planning report Audit results report
Certification work	Summary of certification work undertaken	Certification report

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit and Standards Committee reporting appropriately addresses matters communicated by us to the Audit and Standards Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

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

Materiality determines:

- The level of work performed on individual account balances and financial statement disclosures.

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

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SUBJECT:	<i>Annual Governance Statement 2018/19</i>
REPORT OF:	<i>Director of Resources</i>
RESPONSIBLE OFFICER	<i>Rodney Fincham, Head of Finance</i>
REPORT AUTHOR	<i>Rodney Fincham, 01494 732260</i> rodney.fincham@chilternandsouthbucks.gov.uk
WARD/S AFFECTED	<i>All</i>

1. Purpose of Report

- 1.1 The purpose of this report is to provide Members with sufficient evidence so that they can:
- conduct the statutory review of the effectiveness of the Authority's Governance Framework / system of internal control, and
 - approve the statutory Annual Governance Statement for 2018/19.

RECOMMENDATION

1. **Members are asked to:**
- **review the assurances provided,**
 - **consider whether there are any other significant gaps in control / assurance; and then**
 - **approve the Annual Governance Statement.**

2. Background

- 2.1 Governance is defined as:

'Ensuring the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner'
(CIPFA / SOLACE).

It comprises the systems and processes, and culture and values by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

Internal control is the name given to the policies, procedures, systems and review mechanisms that are put in place to ensure that the organisation is subject to adequate management to ensure that the organisation meets its objectives. **Internal audit** is one element of internal control.

2.2 The Accounts and Audit Regulations 2015 require that the system of internal control is reviewed at least once a year and that a Governance Statement is produced and included in the annual Statement of Accounts. The actual requirement is as follows:

3. A relevant authority must ensure that it has a sound system of internal control which

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures that the financial and operational management of the authority is effective; and

(c) includes effective arrangements for the management of risk.

6.(1) A relevant authority must, each financial year

(a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and

(b) prepare an annual governance statement;

(2) If the relevant authority referred to in paragraph (1) is a Category 1 authority, following the review, it must

(a) consider the findings of the review required by paragraph (1)(a)

(i) by a committee; or

(ii) by members of the authority meeting as a whole; and

(b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of

(i) a committee; or

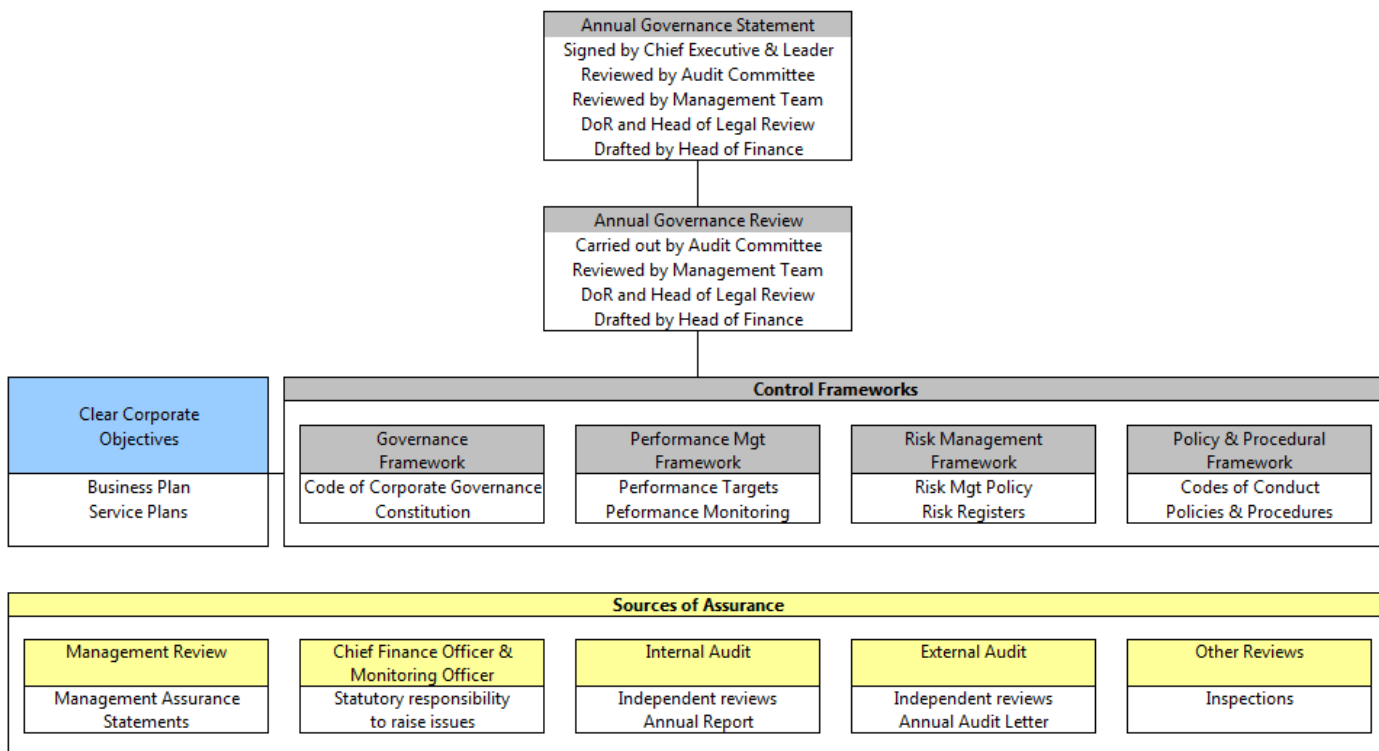
(ii) members of the authority meeting as a whole.

3. Responsibility for Undertaking the Review

3.1 The terms of reference for the Audit & Standards Committee encompass the responsibility, on behalf of the Authority, to conduct the review of internal control and be responsible for reviewing the Annual Governance Statement.

4. Overall Framework

4.1 The diagram below summarises the Authority’s Corporate Governance Assurance Framework.



4.2 Essentially for there to be good corporate governance there needs to be clear corporate objectives supported by four effective frameworks covering Governance, Performance Management, Risk Management and Policies & Procedures.

4.3 And in order to assess the arrangements it is helpful to draw on five sources of assurance namely – Management Review, Statutory Officer Review, Internal Audit, External Audit and Other Reviews.

5. Review of Governance Framework

5.1 The review of the Governance Framework can be undertaken by following 8 steps as set out in the following table.

	Requirement	Comment
1	Establish principal statutory obligations and corporate objectives, and put in place effective Corporate Governance and Performance Management arrangements.	This has been met by: <ul style="list-style-type: none"> • Establishing the Council’s aims and objectives. • Producing the Business Plan and Service plans. • Producing the other plans and strategies within the organisation. • Adopting a Code of Corporate Governance. • Implementing a Performance Management Framework. Further details with regard to meeting this requirement are included in Appendix 1.
2	Identify principal risks to achievement of objectives.	This has been met by the production of strategic and operational risk registers. Further details with regard to meeting this requirement are included in appendix 2.
3	Identify and evaluate key controls to manage principal risks.	This is met as the risk registers require risks to be assessed and mitigating controls identified. Further details with regard to meeting this requirement are included in Appendix 3.
4	Obtain assurances on effectiveness of key controls.	This is met as it occurs throughout the year as part of the ongoing management of the organisation. However for the purpose of the annual review of internal control it is useful to summarise the key sources of assurance and this is done in section 6 of this report below.
5	Evaluate assurances and identify gaps in control / assurances.	See section 7 of this report below.
6	Draw up an action plan to address weaknesses and ensure continuous improvement of the system of Corporate Governance.	The actions to be taken to address the weaknesses identified are detailed in the Draft Annual Governance Statement.
7	Produce Annual Governance Statement.	Draft statement included as Appendix 4.
8	Report to Members.	This report meets this requirement.

6. Sources of Assurances

6.1 The following table summarises the five key sources of assurance, and the assurances obtained from these sources for 2018/19.

Source of Assurance	Comment from Guidance	Assurance Obtained
Management and Member Review	Managers should routinely monitor and review the internal controls as an integral part of the risk management process.	Officers are: guided by the Council's aims and objectives; operate within the Council's rules and regulations; produce service plans; maintain risk registers; and regularly report on progress to Senior Officers and Members. For 2018/19 all Heads of Service were required to complete a Management Assurance Return to highlight any known weaknesses in internal control.
The Role of the Chief Finance Officer and the Monitoring Officer	The statutory functions undertaken by these two officers provide a key source of assurance that the systems and procedures of internal control that are in operation are effective, efficient and are being complied with on a routine basis.	During the year no significant issues have been raised by either the Chief Finance Officer (Director of Resources) or the Monitoring Officer (Head of Legal & Democratic Services).
Internal Audit	The relevant body is likely to take assurance from the work of Internal Audit as the Code of Practice for Internal Audit in Local Government requires the Head of Internal Audit to include in the annual Internal Audit report an opinion on the overall adequacy and effectiveness of the Authority's internal control environment. Therefore provided the body can satisfy itself that Internal Audit operates to the standards set out in the Code, the relevant body is justified in taking assurance from this opinion.	The 2018/19 Annual Internal Audit Report contains Internal Audit's Annual Opinion. This states that <i>'In my opinion, South Bucks District Council has adequate and effective management, control and governance processes in place to manage the achievement of their objectives.'</i>

Source of Assurance	Comment from Guidance	Assurance Obtained
External Audit	External Audit are another potential source of assurance on the operation of internal controls although it should be noted that the audit reports / management letters will not cover the full range of activities and risks, and that external auditors are not required to form an opinion on the effectiveness of the relevant body's corporate governance procedures or its risk and control procedures.	To date External Audit have not raised any significant issues of concern with Management.
Other Review Agencies and Inspectorates	The system of internal control covers the whole of the Authority's operations. Aspects of these operations are subject to independent external review and these reports also provide the body with relevant assurance.	Full Public Sector Network (PSN) compliance has been maintained.

7. Gaps in Control and Governance Assurances

- 7.1 Main Governance and control issues are detailed in section 6 of the Annual Governance Statement (Appendix 4).
- 7.2 It is suggested that there are no other significant issues to add but Members are requested to consider whether there are any other significant issues of concern and whether these issues need to be disclosed in the Annual Governance Statement.

8. Annual Governance Statement

- 8.1 A draft Annual Governance Statement is included as Appendix 4.
- 8.2 Members are asked to review the draft Annual Governance Statement and consider whether changes are needed.

9. Corporate Implications

- 9.1 There are no direct financial, legal or human resource implications from this report.

10. Links to Council Policy Objectives

10.1 This report relates to the Authority's Corporate Governance Framework which underpins the effective operation of all the Council's activities.

11. Next Step

11.1 The Chief Executive and Leader will be required to sign off the Annual Governance Statement and this will be published in the Annual Statement of Accounts.

11.2 The Statement will be reviewed by external audit as part of their audit review process.

Background Papers:	None
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Appendix 1: Evidence to Support Meeting the Requirement to Establish Principal Statutory Obligations and Organisational Objectives (Step 1)

Changes since last year are shown in blue.

Requirement A - There is a mechanism established to identify principal statutory obligations.		
Suggested measure	Evidence	
A1 - Responsibilities for statutory obligations are formally established.	The Authority's constitution sets out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.	✓
A2 - Record held of statutory obligations.	Service plans detail key statutory obligations in the key service aims and action plan sections.	✓
A3 - Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative change exist and are used.	Service managers keep up to date with legislative changes via their professional networks. The legal section also receives notification of changes in legislation, including local government laws ie Lawtel updates, and subscribes to planning and local government encyclopaedias. Where necessary managers write reports on substantive changes, and will update their procedures as required.	✓
A4 - Effective action is taken where areas of non-compliance are found in either mechanism or legislation.	If a non-compliance is found (eg during an audit) then the relevant service manager will update their procedures as required, and will report any substantive issues to the relevant member body.	✓

Requirement B – There is a mechanism in place to establish corporate objectives.		
Suggested measure	Evidence	
B1 - Consultation with stakeholders on priorities and objectives.	The Authority works within the Local Strategic Partnership framework and has consulted on its priorities. In addition for any major service changes (e.g. waste services, parking charges) the Authority has a well-established record of consultation.	✓
B2 - The authority's priorities and organisational objectives have been agreed (taking into account feedback from consultation).	The Refreshed Joint Business Plan 2018 -2019 was approved by Cabinet on 27 June 2018.	✓
B3 - Priorities and objectives are aligned to principal statutory obligations and relate to available funding.	The Authority's priorities encompass the organisation's statutory obligations and the Business Plan is set based on an understanding of the available resources.	✓
B4 - Objectives are reflected in departmental plans and are clearly matched with associated budgets.	Individual service plans are produced for each service area in line with the actions agreed in the Business Plan, and the budget implications of the actions are considered as part of the budget setting process.	✓
B5 - The Authority's objectives are clearly communicated to staff and to all stakeholders, including partners.	The Authority's objectives are cascaded to all staff via team meetings and are published in the Business Plan. Key objectives for the year ahead are also mentioned as part of the annual staff briefings.	✓

Requirement C – Effective corporate governance arrangements are embedded within the Authority.		
Suggested measure	Evidence	
C1 - Code of corporate governance established.	The Authority adopted a new Code of Corporate Governance in March 2017. The code is based on the revised CIPFA / SOLACE framework document for corporate governance in local authorities.	✓
C2 - Review and monitoring arrangements in place.	Officer and Member consideration of the Annual Governance Statement effectively covers this issue.	✓
C3 - Committee charged with Governance responsibilities.	The Audit & Standards Committee is charged with corporate governance responsibilities.	✓
C4 - Governance training provided to key officers and all members.	All staff have an induction which includes information about Governance eg the Staff Code of Conduct etc. Training is provided as part of the induction process for Members following the Council elections.	✓
C5 - Staff, public and other stakeholder awareness of corporate governance.	The Statement of Corporate Governance is published in the Annual Statement of Accounts, which is available on the website. The Intranet also provides access for staff and Members to key policies and statements.	✓

Requirement D – Performance management arrangements are in place.		
Suggested measure	Evidence	
D1 - Comprehensive and effective performance management systems operate routinely.	There is a clearly defined performance management framework within the organisation.	✓
D2 - Key performance indicators are established and monitored.	Key performance indicators are established and reported to Cabinet and Overview & Scrutiny on a regular basis.	✓
D3 - The authority knows how well it is performing against its planned outcomes.	Performance against all performance indicators and key service objectives are reported to Cabinet on a regular basis.	✓
D4 - Knowledge of absolute and relative performances achieved is used to support decisions that drive improvements in outcomes.	When drawing up service plans previous and relative performance is considered.	✓
D5 - The authority continuously improves its performance management.	The Authority is continuing to develop and improve its performance driven culture. Steps are in hand to have a workforce strategy that is consistent across SBDC and CDC. A workforce planning framework was introduced in early 2018.	✓

Appendix 2: Evidence to Support Meeting the Requirement to Identify Principal Risks to Achievement of Objectives (Step 2)

Changes since last year are shown in blue.

<i>Requirement – The Authority has robust systems and processes in place for the identification and management of strategic and operational risk</i>		
Suggested measure	Evidence	
1 - There is a written strategy and policy in place for managing risk.	The Authority has a Risk Management Policy and Risk Management Strategy.	✓
2 - The authority has implemented clear structures and processes for risk management, which are successfully implemented.	An annual report on Risk Management is considered by the Audit & Standards Committee each year. Strategic risks are identified by Senior Officers and considered by both Overview & Scrutiny and Cabinet. Key current operational risks are considered by Mgt Team / Heads of Service at their monthly meeting. Operational risks registers are maintained by each service and recorded on Covalent. The major budget / financial risks are identified as part of the annual budget setting process and included in the budget reports to Members.	✓
3 - The authority has developed a corporate approach to the identification and evaluation of risk, which is understood by all staff.	There is a standard approach to risk management throughout the organisation and guidance on this is available to staff and Members on the intranet.	✓
4 - The authority has well defined procedures for recording and reporting risk.	There is a standard approach to risk management throughout the organisation and guidance on this is available to staff and Members on the intranet.	✓
5 - The authority has well established and clear arrangements for financing risk.	Risk financing is of limited relevance to the Authority. However where appropriate insurance cover is obtained to mitigate risks.	✓
6 - The Authority has developed a programme of risk management training for relevant staff.	Staff induction includes appropriate risk awareness training. During the course of the year the risk management policy and training has been reviewed. Risk Management is part of the Middle Managers Development Programme.	✓
7 - The corporate risk management board (or equivalent) adds value to the risk management process.	Key current operational risks are considered by Mgt Team / Heads of Service at their monthly meeting.	✓

Suggested measure	Evidence	
8 - A Corporate risk officer has been appointed with the necessary skills to analyse issues and offer options and advice.	The Authority does not have an officer dedicated to risk management work. Instead risk management is championed by the Director of Resources and risk management work is picked up by other officers on an ad hoc basis, and for senior managers it is part of the core competencies for their roles.	✓
9 - Managers are accountable for managing their risks.	All risks are allocated to named officers and they are responsible for managing these.	✓
10 - Risk management is embedded throughout the authority.	Risk management is considered to be reasonably well embedded. The latest internal audit of risk management resulted in a 'Reasonable Assurance' rating.	✓
11 - Risks in partnership working are fully considered.	Key risks related to significant partnerships or contracts are identified as part of the risk management process.	✓
12 - Where employed, risk management information systems meet users' needs.	The Covalent performance management system includes the risk registers and adequately meets the Council's current requirements.	✓

Appendix 3: Evidence to Support Meeting the Requirement to Identify and Evaluate Key Controls to Manage Principal risks (Step 3)

Changes since last year are shown in blue.

<i>Requirement – The Authority has a robust system of internal control which includes systems and procedures to mitigate principal risks</i>		
Suggested measure	Evidence	
1 - There are written financial regulations.	The Authority has formal written Financial Procedure Rules.	✓
2 - There are written contract standing orders.	The Authority has formal written Contract Procedure Rules.	✓
3 - There is a whistle blowing policy.	The Authority has a Protected Disclosure Policy (Whistleblowing).	✓
4 - There is a counter fraud and corruption policy.	The Authority has an Anti-Fraud, Bribery and Corruption Policy.	✓
5 - There are codes of conduct in place.	There is a Member code of conduct. There is an employee code of conduct. Articles are occasionally included in Staff News to remind members and officers about these. Dignity at work policy.	✓
6 - A register of interests is maintained.	A register of interests is maintained and regularly updated.	✓
7 - Where a scheme of delegation has been drawn up, it has been approved and communicated to all relevant staff.	Delegated matters are detailed in the Constitution, which is widely available.	✓
8 - A corporate procurement policy has been drawn up, formally approved and communicated to all relevant staff.	A CDC / SBDC Joint Procurement Strategy was agreed in 2014. It is available to staff and members online on the SBDC website.	✓
9 - Business / service continuity plans have been drawn up for all critical service areas.	Work continues to ensure that there are robust service recovery plans for all areas, and that these reflect the joint teams and that these plans have been tested.	✓
10 - The corporate / departmental risk registers include expected key controls to manage principal risks.	The annual service plans require internal controls to be listed for all risks.	✓

Suggested measure	Evidence	
11 - Key risk indicators have been drawn up to track the movement of key risk and are regularly monitored.	Key risks are regularly monitored and reviewed and where appropriate these are linked with the corporate performance management arrangements. Strategic risks are assessed pre and post mitigation actions and the post mitigation assessment acts as the target risk.	✓
12 - The authority's internal control framework is subject to regular independent assessment.	Internal Audit regularly reviews the internal control framework.	✓
13 - A corporate Health & Safety Policy has been drawn up.	The Authority has a Health & Safety Policy, which is available on the intranet.	✓
14 - A corporate complaints policy / procedure has been drawn up.	The Authority has a general complaints Procedure. There is also a Member complaint procedure and form on the website.	✓
The Council has policies and procedures in place to ensure compliance with data protection laws.	The Council has a Corporate Information Officer and complies with data protection rules, and FoI requirements. The Authority has an Information Governance Group that maintains an overview of Information Management and its development.	✓
The Council has policies and procedures in place to maintain IT security.	The Council has an Information Security Policy along with various other supporting IT policies (eg username and password policy). It is fully PSN compliant.	✓
The Council has policies and procedures in place to maintain good Information Asset management.	The Council has information asset management policies and procedures, and has a corporate Information Governance Group. Information Governance roles are identified in the organisation and work is in hand to review and update Information Asset Registers and disposal and retention arrangements.	✓

Appendix 4: Annual Governance Statement 2018/19

1) Scope of Responsibility

South Bucks District Council (SBDC) is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards;
- public money is safeguarded and properly accounted for; and
- public money is used economically, efficiently and effectively.

South Bucks District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, South Bucks District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

South Bucks District Council has approved and adopted a code of Corporate Governance, which is consistent with the CIPFA / SOLACE *Delivering Good Governance in Local Government Framework 2016*. A copy of the code can be obtained from the Director of Resources. This statement explains how South Bucks District Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations in relation to the publication of an Annual Governance statement.

2) The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, value for money services.

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

The governance framework has been in place at South Bucks District Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

3) The Governance Framework

South Bucks has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. Specifically it has developed and adopted a Code of Corporate Governance and a Risk Management Strategy and the Director of Resources has been given responsibility for:

- overseeing the implementation and monitoring of the operation of the Code and Risk Management Strategy;
- reviewing the operation of the Code and Risk Management Strategy in practice; and
- ensuring that there is an effective internal audit function.

Our internal auditors, have been given the responsibility to review independently the status of the Authority's internal control arrangements and report to the Audit & Standards Committee, to provide assurance on the adequacy and effectiveness of internal control.

The system of internal control is based on a framework of regular management information, financial and contract procedure rules, administrative procedures, management supervision and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council and is reviewed by internal and external audit. In particular the system includes:

- an overall Business Plan and individual Service plans;
- the appointment of a legal Monitoring Officer;
- codes of conduct and staff performance appraisals;
- information asset and data quality policies and procedures;
- setting targets to measure financial and other performance;
- a performance management framework with regular performance monitoring;
- comprehensive budgeting systems; and
- regular reviews of financial reports which indicate financial performance against the forecasts.

4) Role of the Chief Finance Officer

The Authority fully complies with the CIPFA statement on the Role of the Chief Financial Officer in Local Government, the key principles and requirements of which are summarised below.

The Chief Financial Officer:

- Is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the Authority's strategic objectives sustainably and in the public interest;

- Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the Authority's financial strategy; and
- Must lead the promotion and delivery by the whole Authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

- Must lead and direct a finance function that is resourced to be fit for purpose; and
- Must be professionally qualified and suitably experienced.

5) Review of Effectiveness

South Bucks District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. As part of the process of compiling the Annual Governance Statement, statements of assurance on the effectiveness of internal control are obtained from Heads of Service.

For 2018/19 this review has been undertaken by the Audit & Standards Committee and included carrying out an assessment of the SBDC internal control framework.

We have been advised of the results of the review of the effectiveness of the governance framework by the Audit & Standards Committee, and plans are in place to address weaknesses and ensure continuous improvement of the system.

6) Main Governance Issues

The following is the main governance issue.

ISSUE	ACTION
<p>The main governance issue facing the authority is that, in its last year of existence, key controls and governance processes fail to an extent that creates material risks for the new Council.</p>	<p>The resourcing of key roles in financial and constitutional control will be kept under review to identify any issues that could lead to significant control risks.</p> <p>Clear plans for the transition to the new Council need to be established to minimise risk and disruption.</p>

SBDC AUDIT COMMITTEE WORK PROGRAMME

Classification: OFFICIAL

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

Topic	Frequency	Jan 19	Mar 19	Jul 19	Sept 19	Jan 20
Risk Management						
Risk Management Update	Annual					
Assurance Statements						
Annual Governance Report	Annual					
Update on Governance / Internal Control Issues	As and when					
Internal Audit						
Audit Plan	Annual					
Interim Progress Reports	Each meeting					
Follow up of Internal Audit Recommendations Report	Annual					
Comparision of Assurance Levels	Annual					
Annual Internal Audit Report	Annual					
Fraud & Corruption						
Fraud & Corruption Annual Report	Annual					
External Audit						
Annual Audit Plan	Annual					
Annual Assurance Letter from Committee	Annual					
External Audit Results Report	Annual					
Certification of Claims & Returns Annual 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					

Classification: OFFICIAL

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