



Audit and Governance Committee agenda

Date: Thursday 28 July 2022

Time: 10.00 am

Venue: The Oculus, Buckinghamshire Council, Gatehouse Road, Aylesbury HP19 8FF

Membership:

R Newcombe (Chairman), D Anthony, R Carington, A Christensen, L Clarke OBE, T Dixon, M Dormer, C Etholen, D Goss, M Hussain, S Rouse and N Thomas

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16	Confidential minutes That the confidential Minutes of the meeting held on 11 May 2022 be approved as a correct record.	69 - 72
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Audit and Governance Committee minutes

Minutes of the meeting of the Audit and Governance Committee held on Wednesday 11 May 2022 in The Oculus, Buckinghamshire Council, Gatehouse Road, Aylesbury HP19 8FF, commencing at 10.00 am and concluding at 12.58 pm.

Members present

R Newcombe (Chairman), L Clarke OBE (Vice-Chairman), R Carington, D Goss, S Rouse and N Thomas

Apologies

D Anthony, A Christensen, T Dixon, M Dormer, C Etholen and M Hussain

Agenda Item

1 Apologies

Apologies were received from Councillors D Anthony, A Christensen, T Dixon, M Dormer, C Etholen and M Hussain.

2 Declarations of interest

Councillor L Clarke OBE declared a personal interest in agenda item 6, Business Assurance Update as she was the Chairman of the Buckinghamshire and Milton Keynes Fire Authority Executive Committee for which an audit was referred to within the accompanying Internal Audit Plan.

3 Minutes

The Chairman advised of a correction to minute item 7, Risk Management Group update. The minute noted that the Risk Management Group would review the Secondary School Transfer Results System Failure action plan at its meeting of 25 April, however it was agreed by the Risk Management Group that the action plan would be presented to a future meeting rather than the meeting held on 25 April.

The Vice-Chairman reported that at the previous meeting Mr Glenn Watson was introduced and welcomed by the Committee, Mr Watson would attend and support the Committee in the role of Principal Governance Officer.

RESOLVED –

That the Minutes of the meeting held on 22 March 2022, be approved as a correct record subject to the above amendments.

4 Buckinghamshire Council Statement of Accounts Update 2020/ 2021

The Committee received an update report on the Buckinghamshire Council Statement of Accounts 2020/2021 which provided Members with information on the work the external auditors were undertaking to progress delivering their responsibilities.

Mr Richard Ambrose, Service Director for Corporate Finance and Section 151 Officer and Mr Iain Murray, Grant Thornton attended to present the update. The report noted that upon receiving the latest version of the financial statements, there were a number of issues identified, including:

- Missing primary statements such as group cash flows and comparative figures for the group's balance sheet,
- Inconsistencies between the word formatted statements and the notes forming part thereof,
- A lack of schedule which reconciles the movements from the first version of draft financial statements and the latest version.

A number of queries had been raised in respect of group accounts and the external auditors were waiting for management's assessment of the components for potential consolidation. The external auditors had also encountered significant difficulties with the bank reconciliation process and there were a number of areas which were now with the Council for ratification. It was understood that the impact of the actions management had proposed would result in changes to loans, debtors and creditors disclosed in the financial statements and may result in the need for additional audit testing in those areas.

There were 90 sample items for which the external auditors were awaiting evidence, these related to a number of areas of the financial statements. There were also general queries raised in the areas of Grant income; Housing Benefits Expenditure; Capital commitments; Leases; Financial Instruments; Derecognition of Schools; and Expenditure and Funding Analysis (EFA) and pooled budget notes.

Further to the above, which were specific to the Council's audit, there was a sector wide matter causing further delay to Local Authority audits. The CIPFA Code of Practice on Local Authority Accounting prescribed the accounting treatment and disclosure requirements for infrastructure assets. The Code required infrastructure to be reported in the Balance Sheet of depreciated historical cost, that was historic cost less accumulated depreciation and impairment. The Code also required a reconciliation of gross carrying amounts and accumulated depreciation and impairment from the beginning to the end of the reporting period. These requirements of the Code derived from IAS 16 Property, Plant and Equipment. There was a concern that audited bodies were not able to apply the full requirements of the Code, in particular derecognition of parts of assets where the subsequent expenditure on them was capitalised. This issue was currently being considered by CIPFA via an Urgent Task and Finish Group with an outcome anticipated in June 2022.

During the discussion, issues raised included:

- The significant reason for the issues noted above related to the challenges of amalgamating the five separate legacy councils accounts. This large task had been made further difficult by staffing vacancies and ongoing staffing changes. Many of the staff from legacy authorities had since left the employment of the Council which resulted in reduced corporate memory and affected the time it took to resolve the outstanding queries. Grant Thornton, whilst previously the external auditor for the former County Council, had not worked with the District Councils previously so also had limited corporate memory to support with certain queries. Throughout the process there had continually been staff turnover, which had caused delays with new staff attempting to understand the processes previous staff had followed.
- The audit would be paused temporarily for around six to seven weeks to allow the Council officer team to re-visit the statements and take a 'first principles' approach around the opening balance sheet position to ensure that all transactions were mapped correctly and the accounts notes reconciled appropriately.
- Members expressed their concern and frustration at the delay, whilst acknowledging the challenges in getting the accounts finalised and spoke of their concerns around the impact the ongoing delay may have on the subsequent year's accounts audit.
- Members heard that the issues identified were mainly confined to the balance sheet and classifications. The Committee received reassurance that the bottom line position provided around the overall financial position (including reserve levels) and the recently approved MTFP were still accurate.
- Resourcing was a constant challenge and was recognised as an issue both locally and nationally, with a shortage of technical accounting staff. Interim staff had been employed, although this in itself had caused issues with those new in post having to gain an understanding of why previous staff had completed areas of the accounts in certain ways. The Committee were in agreement that the Chairman, on behalf of the Audit and Governance Committee, should write to the Cabinet Member for Finance, Resources, Property and Assets to express its concern at the recruitment issues and to highlight the urgency required to address the issue. The Section 151 Officer advised that he had regularly been updating the Cabinet Member on the situation. There was also emphasis placed on promoting 'grow your own' staff, although this would not solve the immediate issues.
- In comparison with other local authorities, at the end of March 2022, only 52% of local authorities had signed their statements of accounts off. Those yet to be signed off would now be delayed whilst CIPFA conclude their findings on the national infrastructure assets issue.
- The importance of completing the 2020/21 audit before commencing the 2021/22 audit was highlighted, although discussions would be held with the external auditor to discuss whether there was any scope to audit certain

aspects of the 2021/22 accounts prior to the issues with the 2020/21 accounts being resolved.

- In terms of the timescales involved, it was hoped that responses on queries would be provided to the external auditor over the next few weeks and there would then be a period for the external auditors to continue their work. This could be completed in time for the 28 July meeting of this Committee; however, the 27 September meeting appeared to be a more realistic date to set for the presentation of the final accounts. The outcome of the national infrastructure assets issue could also affect these dates. The Committee requested that if the accounts were not signed off by the time of the July meeting, an update should be included on the agenda.
- The external audit plan for 2021/22, would also likely be presented to the September meeting at the earliest, as the completion of the 2020/21 accounts significantly informed the risk assessment of the future audits.
- It was clarified that the housing benefit queries related to the work around the testing done for the purposes of the financial statements rather than the work undertaken on the subsidy return to DWP, which was how the Council was reimbursed for housing benefit claims. Since the report was produced, there had been progress made on resolving the housing benefit related queries.
- The Committee was advised that the previous County Council system had been used for producing the accounts, so therefore mapping issues experienced with the other legacy Councils were not an issue in previous years. There were no outstanding audit queries on Adult Social Care or Childrens Services and the corporate memory remained to respond to issues raised around leases and liabilities which were the responsibility of the former County Council.
- As a note for future updates, Members recommended including years where dates were referred to within reports and the full wording used prior to including acronyms to provide clarity and aid understanding.

RESOLVED –

- 1. That the report be noted.**
- 2. That the Chairman, on behalf of the Audit & Governance Committee write to the Cabinet Member for Finance, Resources, Property and Assets to raise concerns around the ongoing delays to the 2020/21 Statement of Accounts and the recruitment and retention of technical accounting staff, highlighting the need for this to be addressed as a priority.**

5 Buckinghamshire Council Draft Annual Governance Statement 2020/ 2021

The Committee considered a report which contained the draft Annual Governance Statement (AGS) for 2020/21. This was the first AGS for Buckinghamshire Council and related to the first year of operation as a unitary authority, with a focus on the Council's response to the Covid-19 pandemic. The AGS was usually presented with the Statement of Accounts, however due to the delay in presenting these it had been decided to bring the draft AGS to this meeting with the final version to be

presented in July.

The AGS had been drafted by giving consideration to the Council's sources of assurance on internal control and is structured in accordance with CIPFA guidance. The role of the Audit and Governance Committee was to review the AGS to provide assurance that it reflected the evidence considered by the Committee over the year (2020/21), and that the actions identified were appropriate. The draft AGS could be updated in the period up until the Statement of Accounts were recommended for approval at the Audit and Governance Committee in July. Once the Committee had approved the statement it would be presented to the Chief Executive and Leader of the Council for signing and be published on the Buckinghamshire County Council website with the Statement of Accounts once approved.

The full Draft AGS was appended to the report.

During discussion, key points highlighted included:

- The report on the whole, identified good governance frameworks leading to relatively few recommendations.
- The Committee thanked officers for a clear and comprehensive report which produced a very positive statement.
- Areas recommended to be considered for inclusion in to the action plan and general recommended changes, these included:
 - The resourcing difficulties which the Committee and Risk Management Group had frequently heard of over the past twelve months.
 - Strengthening the risk management activity and risk registers, although it was noted that the CIPFA review recognised that the Council's Risk Management process was embedded and robust.
 - Noting the roles of Service Directors and Heads of Service where key roles were referred to on page 24 of the reports pack.
 - Third bullet point, at '*E. Developing the entity's capacity, including the capability of its leadership and the individuals within it*', on page 29 of the reports pack, to include reference to members, along with officers who were expected to complete mandatory training.
 - Within the same section, reference should be made to roles of officers and members having been strengthened through recent changes made to the Constitution.
 - Page 24, noted that there were four Select Committees, the Committee this be updated to reflect that there were more (6).
 - Re-wording the reference made to the webcasting of meetings, Members noted that it was not all Committee meetings that were webcast.
- The Principal Governance Officer advised of changes to the future presentation of the AGS. These included having a local code, which described the Council's governance processes and supplemented the AGS which could

then assess against the local code how effective the governance processes were working. This would provide greater clarity to Members and stakeholders. As part of this, thought would be given to forming an officer working group, containing officers from across the authority who managed various aspects of governance. There was also the suggestion to make the presentation of the AGS more user-friendly so that it was produced with residents in mind, this may involve using more graphics with a focus on giving the public a genuine insight in to the governance, culture and character of the authority.

- The Chairman identified that the Constitution details the Committee's remit and raised a concern that there were a number of issues happening across the Council which the Council may also benefit from the Committee reviewing. The Chairman gave examples of taking a thematic look at ombudsman reports and having an overview of planned inspections, how the Council performed in these and how the governance of these inspections was assessed for effectiveness.
- Key Performance Indicators (KPIs) were discussed, and whilst the performance aspect was a matter for Cabinet and the Select Committees, it was questioned whether the KPIs provided appropriate governance across the Council. It was requested that this be reviewed and brought before the Committee, if a constitutional change was thought necessary.
- A Member also highlighted that it was admirable that the Council had reacted so quickly to the Covid pandemic and now the situation in Ukraine, however requested information be made available to the Committee to assess the governance of associated boards and funding processes.

RESOLVED –

That the draft 2020/21 Buckinghamshire Draft Annual Governance Statement be approved subject to the amendments and considerations proposed above.

6 Business Assurance Update (including Internal Audit Plan)

The Committee considered a report which presented the 2021/22 Business Assurance Strategy update, which included progress against the Internal Audit Plan. The 2021/22 Internal Audit Plan had been reviewed to identify the key audit activities to be delivered considering the priorities within the Directorates and working around the service reviews that were underway.

The Business Assurance Strategy; including the Internal Audit Plan was agreed by the Audit Board and by the Audit and Governance Committee in June 2021. The Internal Audit Plan was produced with reference to the Strategic and Directorate Risk Registers; and informed through discussion with the Senior Leadership Teams for each Directorate, Heads of Finance, Section 151 Officer and the Deputy Chief Executive. The Internal Audit Plan continued to be dynamic in nature with activity reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities. Progress was regularly reviewed by the Audit Board.

Quarterly Business Assurance updates were presented to each Directorate Leadership Team providing updates on the planned audit and assurance activity, which were reviewed for appropriateness each time. Views of the directorates were also sought on the work of the Business Assurance Team to enable continuous improvement and ensure that the needs and expectations of the organisation were met.

The detailed Business Assurance update was appended to the report.

During discussion, points raised included:

- Members recognised the high volume of work undertaken by the Business Assurance team.
- The team was currently going through its service review which reviewed the staffing structure. It was hoped that this would be agreed circa August 2022 and recruitment activity could then be planned as required. There had been changes within the team since the time of the last meeting with three leavers, backfilling options were being explored, although as noted in earlier items there was a wider shortage of qualified staff. The team was exploring how to make best use of frameworks such as the London APEX audit framework.
- The team remained busy reviewing grant certification work, this work looked to check that expenditure was in line with the relevant conditions of the respective grant. A number of these required returns to be sent to Central Government. A Grant Assurance Framework was currently being produced.
- Assurance work around the Council's Ukraine response was underway. The team was reviewing payment processes, ensuring controls were in place and regular catch ups with key groups were being held. The team was supporting the risk management aspect of this work and ensuring risk registers were in place.
- Work had been undertaken on the South East Aylesbury Link Road (SEALR) project, findings raised had identified further areas to review within the appropriate service area to ensure adequate frameworks were in place to give assurances around other major projects underway.
- Work also continued on the review of key financial systems, with outcomes of the audit work then being fed in to the enterprise resource planning (ERP) system specification work.
- In relation to the national Council Tax rebate for households in tax bands A-D, Members heard that work had been undertaken reviewing processes prior to them being embedded and that post payment assurance work would also be undertaken in liaison with the Revenues and Benefits team.
- The Committee heard that the Community Boards audit would commence at the start of quarter 2 and should be reported back to the September meeting of the Committee. Members identified that both the effectiveness of the governance of the boards and the auditing of money dispensed to various projects required review and emphasised that both areas should be audited. If one of these areas was not audited the Committee requested the reasons be reported back to Members.

- A Member raised concern that the Senior Leadership Team was able to defer activity and gave examples of where assurance activity would add significant value to areas that were making improvements. Assurance activity would also provide valuable insight where there were resourcing issues and it was thought that this was not an adequate reason to defer activity. The Committee heard that where deferrals were being asked for, the team was working on having a stringent process to ensure the reasons were entirely valid.
- There was a further concern raised that service reviews should not prevent assurance activity taking place and could be an important element of assessing resourcing requirements moving forward. The Committee was advised that service reviews were time consuming for officers, and the team had given input in to some of the service reviews that had already been completed.

RESOLVED –

That the report be noted.

7 2022/23 Internal Audit Plan Update

The Committee received a report providing an update on the 2022/23 Internal Audit Plan.

The 2021/22 Internal Audit Plan continued to be affected by the impact of the Covid-19 pandemic, as well as the capacity constraints across the organisation, which may also be attributed to the Service Reviews that were in-progress. The Internal Audit plan had to remain dynamic in nature and be realigned on a regular basis to take account of new, emerging and changing risks and priorities. The plans had been very fluid during 2020/21 and this continued into 2021/22 due to ongoing Covid-19 related assurance requirements such as grant income verification work and post payment assurance for business grant payments.

The 2022/23 Internal Audit planning process was in progress and would be discussed with Corporate and Service Directors before being presented to the Corporate Management Team and Audit Board for agreement. The Audit Manager had attended a leadership team meeting within all services to discuss audit requirements for 2022/23. The planning process would involve a review of key priorities and risk registers for each of the Directorates.

The 2022/23 Internal Audit Plan would be presented to the Audit and Governance Committee for approval at the July meeting. During Q1, the deferred and carried forward 2021/22 Internal Audit activity would continue, in agreement with the relevant Service Director. The priority of each of the deferred audits would be assessed in consultation with the service. The Covid-19 related assurance activity would continue during Q1 as the final reconciliations and returns were collated. Members were requested to propose any audit areas to be considered for inclusion in the plan.

The deferred/carried forward audits were appended to the report, broken down by Directorate.

During discussion, key points highlighted and recommended areas for auditing included:

- Childrens Services audits that had been cancelled/deferred due to the recent OFSTED inspection, particularly in light of the further OFSTED review on SEND.
- Fix my Street which was recognised as the main tool to report highways issues for residents
- Abandoned vehicles, on which Members received complaints from residents
- The impact of the Queens speech on areas such as GDPR and the Mental Health Act. The Committee heard that the Business Assurance team would liaise closely with information and governance colleagues and decide on an appropriate date for the GDPR audit. At the point that Deprivation of Liberty Standards would be looked at, the team would ensure that it was compliant with all legislation in place at that time.

RESOLVED –

That the report be approved.

8 Risk Management Group Update

The Committee received a report which provided an update on the Risk Management Group (RMG) meeting held on 25 April 2022. The RMG considered the Planning, Growth and Sustainability (PGS) at this meeting. Risks were discussed in detail, as were the mitigating actions which were challenged by the Group. Members noted the key risk themes that came out of each of the meetings as detailed in the report.

The Group also considered a ‘horizon scanning’ paper which included new and emerging risks for discussion, including displaced persons, inflation and the introduction of care costs cap.

Members were advised that the dates for the coming year’s meetings of the RMG were currently being finalised and would be available at the next meeting.

RESOLVED –

That the report be noted.

9 Audit and Governance Committee Review of Effectiveness

The Committee received a report which detailed that a review of the effectiveness of the Audit and Governance Committee was scheduled to take place in June 2022. The review would be based on the CIPFA publication “Audit Committees: Practical Guidance for Local Authorities (2018)”. The review would be carried out through consultation with members of the committee and officers who had attended

meetings on a regular basis. The report would be presented to the Audit and Governance Committee meeting on 28 July 2022.

RESOLVED –

That the report be noted

10 Action Log

The Committee considered the latest action log as attached to the agenda pack.

The Committee heard that there had been a number of minor rounding updates to be made to the Farnham Park Sports Fields Charity Annual Report and Financial Statements 2020/21 which ensured notes reconciled with statements and this had been completed. Members were updated that the Section 151 Officer was the signatory for signing the accounts off for 2020/21 although this would change for subsequent years. The same applied for the Higginson Park Trust.

RESOLVED –

That the action log be noted.

11 Work Programme

The Committee was advised that the Chief Auditor was in the process of putting the 2022/23 Audit and Governance Committee work programme together, in liaison with the Principal Governance Officer and this would be attached to the agenda of the next meeting of this Committee.

RESOLVED –

That the work programme be noted.

12 Exclusion of the public

RESOLVED –

That pursuant to Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting during consideration of Minutes No 13, 14 and 15, on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act as defined as follows:

Minute 13 – Confidential Minutes of the Audit and Governance Committee held on 22 March 2022.

Minute 14 – IT Audit Report – Cyber Security

Minute 15 – Summary of Completed Audits and Audit Actions

Minute 16 – Action Log (confidential)

The items include Information relating to the financial or business affairs of any particular person (including the authority holding that information) (Paragraph 3,

Part 1 of Schedule 12A, Local Government Act 1972) (The need to maintain the exemptions outweighs the public interest in disclosure, because disclosure could prejudice the Council's position in any future process or negotiations).

13 Confidential minutes
RESOLVED –

That the confidential Minutes of the meeting held on 22 March 2022, be approved as a correct record.

14 IT Audit Report - Cyber Security

The Committee considered a confidential report which detailed the internal audit on cyber security and received an update from Mr Martin Baird, Internal Auditor, Mazars. The audit provided an evaluation of, and an opinion on the adequacy and effectiveness of the system of internal controls that were in place to manage and mitigate the cyber security risks. The Committee held a detailed discussion on the contents of the report receiving reassurances on various aspects of the audit work and noting actions to be taken to ensure risks were appropriately mitigated.

RESOLVED –

That the report be noted.

15 Summary of Completed Audits and Audit Actions

The Committee considered a confidential report which provided an overview of the internal audits that had been completed and detailed the progress against the audit management actions by each directorate.

RESOLVED –

That the report be noted.

16 Action Log (confidential)

The Committee considered the confidential action log and

RESOLVED –

That the current Action Log (confidential) be noted.

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Buckinghamshire Council

Audit and Governance Committee

Minutes

MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON WEDNESDAY 18 MAY 2022 IN THE OCULUS, BUCKINGHAMSHIRE COUNCIL, GATEHOUSE ROAD, AYLESBURY, HP19 8FF, COMMENCING AT 5.30 PM AND CONCLUDING AT 5.35 PM

MEMBERS PRESENT

R Newcombe, L Clarke OBE, D Anthony, A Christensen, T Dixon, C Etholen, D Goss, S Rouse and N Thomas

OTHERS IN ATTENDANCE

D Dhillon (Chairman of the Council)

Agenda Item

1 APOLOGIES

Apologies were received from Councillors R Carington, M Dormer and M Hussain.

2 ELECTION OF CHAIRMAN

It was proposed by Councillor D Goss, seconded by Councillor N Thomas and

RESOLVED –

That Councillor R Newcombe be elected Chairman of the Audit and Governance Committee for the ensuing year.

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Report to Audit and Governance Committee

Date:	28 th July 2022
Title:	Treasury Management Annual Report 2021/22
Relevant councillors:	John Chilver, Cabinet Member for Accessible Housing and Resources and Cllr Timothy Butcher, Deputy Cabinet Member for Accessible Housing and Resources
Contact officer:	Julie Edwards, Pensions & Investments Manager
Ward(s) affected:	None specific
Recommendations:	The Audit and Governance Committee is asked to note the Treasury Management Annual Report for 2021/22.

1. Executive summary

- 1.1 The table overleaf is a summary of the Council's treasury position on 31st March 2021 and 31st March 2022.

31st March 2021 £m	%	Treasury Portfolio	31st March 2022 £m	%
Treasury Investments				
0.00	0%	Banks & Building Societies	15.00	8%
68.85	48%	Local Authorities (invested less than 364 days)	93.00	52%
29.17	20%	Money Market Funds	37.82	21%
15.35	11%	UK Government	0.00	0%
10.00	7%	Local Authorities (invested longer than 364 days)	10.00	6%
20.00	14%	Property Fund	22.92	13%
143.37	100%	Total Treasury Investments	178.74	100%
External Borrowing				
-286.46	91%	PWLB ¹	-279.64	90%
-30.00	9%	LOBOs ²	-30.00	10%
-316.46	100%	Total External Borrowing	-309.64	100%
Net treasury investments / (Borrowing)				
-173.09		Net Treasury Investments /(Borrowing)	-130.90	

¹ PWLB Public Works Loans Board. The PWLB is a statutory body, part of HM Treasury; its purpose is to lend money to local authorities. The Council's main objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required.

² LOBOs Lender Option Borrower Option. LOBOs are long term borrowing instruments which include an option for the lender to periodically revise the interest rate. If the lender decides to revise the interest rate, the borrower then has the option to pay the revised interest rate or repay the loan.

- 1.1 In overall budget terms, the Council ended up £1.398m net better off during the year, despite an underachievement of £0.303m on treasury investment returns due in part to the low rates of interest available. Another factor was the continuation of the Council's strategy to use surplus cash instead of borrowing (known as internal borrowing), which led to an underspend against budget on borrowing costs of £1.701m. The overall favourable variance has been taken into account in the 2022/23 budget. The Council will continue the strategy of internal borrowing, which reduces risk and keeps external financing costs low, while it makes sense to continue to do so. Liquid cash was diversified over several counterparties and Money Market Funds to manage both credit and liquidity risks. Such an approach has also provided benefits in terms of reducing counterparty risk exposure, by having fewer investments placed in the financial markets. Recent increases in interest base rates should improve future investment returns, but PWLB borrowing has increased and

so new borrowing will cost slightly more. The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.

- 1.2 Following a competitive tendering process, Link Treasury Services Limited (Link) were appointed as the Council's treasury advisor with effect from 1 August 2021. Link provided a training session for members of the Audit & Governance Committee in September and they advised the Council in developing the Treasury Management Strategy Statement (TMSS) for 2022/23, including investment counterparties and borrowing requirements.

CIPFA published a revised Treasury Management Code and Prudential Code on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year. Members will be updated on how the changes impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report. The changes represent good practice and we don't envisage any issues implementing the changes.

2. Content of report

- 2.1 If In line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management and the Council's Financial Regulations, this Council is required to provide the Audit and Governance Committee with a report on the previous year's treasury management activity.
- 2.2 The Code of Practice defines Treasury Management as: The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 2.3 Treasury management is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code).
- 2.4 The Council's treasury management strategy was approved by Council on 24th February 2021. The general policy is the prudent investment of its treasury balances and cost-effective borrowing to finance long term investment in the Council's assets.
- 2.5 At 31st March 2022 the Council held £309.638m of loans, a decrease of £6.820m compared to 31st March 2021; £279.638m was from the Public Works Loans Board (PWL1), £30.000m Lenders Option Borrowers Option (LOBOs²) from the money markets. The Council pursues a strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to

reduce risk and keep external financing costs low. The Council will continue the strategy of internal borrowing while it makes sense to continue to do so. Liquid cash was diversified over several counterparties and Money Market Funds to manage both credit and liquidity risks. Such an approach has also provided benefits in terms of reducing counterparty risk exposure, by having fewer investments placed in the financial markets. Recent increases in interest base rates should improve future investment returns, but PWLB borrowing has increased and so new borrowing will cost slightly more.

- 2.6 The Council is actively reviewing opportunities for borrowing at low rates if borrowing is required to finance items within the capital programme. The cost of external borrowing in 2021/22 was £9.220m, an underspend of £1.701m compared to the £10.921m budget. The Council continues to look for opportunities reschedule debt where this is expected to lead to an overall cost saving or a reduction in risk. The table below is a summary of the Council’s borrowing.

Maturity structure of borrowing

31 March 2021 £m		31 March 2022 £m
6.820	Under 12 months	16.910
16.910	12 months and within 24 months	7.001
21.286	24 months and within 5 years	21.575
77.365	5 years and within 10 years	77.899
194.077	10 years and above	186.253
316.458	Total Borrowing	309.638

- 2.7 Following a competitive tendering process, Link Treasury Services Limited (Link) were appointed as the Council’s treasury advisor with effect from 1 August 2021. Link provided a training session for members of the Audit & Governance Committee in September and they advised the Council in developing the Treasury Management Strategy Statement (TMSS) for 2022/23, including investment counterparties and borrowing requirements.
- 2.8 **Treasury Position:** The Council’s investment strategy sets out the approach for choosing investment counterparties. They are based on a system of credit ratings provided by the three main credit rating agencies and supplemented by additional market data (such as rating outlooks, credit default swaps and bank share prices) provided by the Council’s treasury advisors.
- 2.9 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the

Council's investment balances fluctuated due to timing differences between income and expenditure.

Treasury Cash Position

2.10 The treasury cash (investments) position is summarised below:

31 March 2021		Treasury Investments	31 March 2022	
£m	%		£m	%
0.00	0%	Banks & Building Societies	15.00	8%
68.85	48%	Local Authorities (invested less than 364 days)	93.00	52%
29.17	20%	Money Market Funds	37.82	21%
15.35	11%	UK Government	0.00	0%
10.00	7%	Local Authorities (invested longer than 364 days)	10.00	6%
20.00	14%	Property Fund	22.92	13%
143.37	100%	Total Treasury Investments	178.74	100%

2.11 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. The Council earned £0.933m interest on its investments, an underachievement of £0.303m compared to the budget of £1.236m. In light of the pandemic crisis and the likelihood of unexpected calls on cash flow, the Council kept more cash available at very short notice than is normal. Liquid cash was diversified over several counterparties and Money Market Funds to manage both credit and liquidity risks. The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties. Several of the Council's treasury counterparties have Environmental, Social and Governance (ESG) strategies integrated into their investment processes. (ESG) treasury investments are being developed but do not represent a significant proportion of the investment vehicles / Money Market Funds available. Treasury management is about ensuring the Council's has available to meet its day to day cash requirements; investments are generally short term, some overnight, secure, providing access to cash when the Council needs it, they don't include investments in fossil fuels or companies with a large carbon footprint.

2.12 Investment returns remained close to zero for much of 2021/22. The expectation for interest rates within the treasury management strategy for 2021/22 was that the Bank of England Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19

pandemic were no longer necessitated. Investment earnings rates remained low until towards the turn of the year when it became necessary to increase interest rates to combat inflation concerns, CPI was 9.2% in May 2022. The Bank of England raised the Bank Rate to 0.25% in December 2021, 0.5% in February 2022, 0.75% in March, 1.0% in May and to 1.25% on the 16th June 2022.

- 2.13 **Externally Managed Pooled Funds** £22.923m of the Council's investments are held in an externally managed strategic pooled property fund where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability. The dividend yield on the Local Authorities' Property Fund was 3.8% in the year to 31 March 2022.
- 2.14 The Council invests with other local authorities. A new sign off process has been introduced where a local authority has issued a section 114 notice or has been granted permissions to use capital to help with their revenue budgets the investment can only be placed with the prior approval of the Service Director – Corporate Finance and Section 151 Officer in consultation with the Cabinet Member for Accessible Housing and Resources.
- 2.15 **Prudential Indicators:** Each year, the Council agrees Prudential Indicators under the Local Government Act 2003 which are affordable, prudent and sustainable. The indicators were agreed by Council on 24th February 2021.
- 2.16 **Borrowing Indicators:** The Capital Financing Requirement measures the Council's underlying need to borrow for capital purposes. This is essentially the Council's outstanding debt, necessary to finance the Council's capital expenditure. The actual debt is dependent on the type and maturity of the borrowing undertaken as well as seeking the optimal cashflow situation.
- 2.17 Comparing gross debt with the capital financing requirement is an indicator of the Council's prudence in managing its capital expenditure and is designed to ensure that, over the medium term, external borrowing is only for capital purposes. The Council should ensure that gross debt does not exceed the total of the 'capital financing requirement'. The values are measured at the end of the financial year.
- 2.18 The authorised limit for external debt is required to separately identify external borrowing (gross of investments) and other long-term liabilities such as covenant repayments and finance lease obligations. The limit provides a maximum figure that the Council could borrow at any given point during each financial year.
- 2.19 The Operational Boundary for External Debt is a key management tool for in-year monitoring and is lower than the Authorised Limit as it is based on an estimate of the most likely level of external borrowing at any point in the year. In comparison, the authorised limit is the maximum allowable level of borrowing.

Comparison of gross debt with the capital financing requirement

Indicator	Approved £m	Actual £m
Gross Debt	394.56	309.64
Capital Financing Requirement	483.58	579.76

Authorised Limit (for total external debt)

Indicator	Approved £m	Actual £m
Authorised limit (for borrowing) *	495.00	309.64
Authorised limit (for other long-term liabilities) *	10.00	0.00
Total Authorised limit (for external debt) *	505.00	309.64

* These limits can only be breached with the approval of the full Council to raise them

Operational boundary (for borrowing)

Indicator	Approved £m	Actual £m
Operational boundary (for borrowing)	395.00	309.64
Operational boundary (for other long-term liabilities)	7.50	0.00
Total Authorised limit (for external debt)	402.50	309.64

- 2.20 The operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached. The operational boundary allowed for circa £100m borrowing approval delegated to Cabinet should viable and robust businesses come forward, this was not utilised in 2021/22.
- 2.21 **Treasury Management Indicators:** The Council measures and manages its exposures to treasury management risks using the following indicators.
- 2.22 **Security:** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated

investments are assigned a score based on their perceived risk. The portfolio average credit rating of AA- exceeded the target of A.

Credit Risk Indicator

	Indicator as at 31 March 2022	Target
Portfolio average credit rating	AA-	A

- 2.23 **Liquidity:** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling one-month period, without additional borrowing. In light of the pandemic crisis and the likelihood of unexpected calls on cash flow, the Council kept more cash available at very short notice than is normal. Liquid cash was diversified over several counterparties and Money Market Funds to manage both credit and liquidity risks.

Liquidity Risk Indicator

	Actual	Target
Total cash available within one month	£57.815m	£10m

- 2.24 **Maturity structure of borrowing:** This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator

	31 March 2022	Upper Limit	Lower Limit
Under 12 months	5%	30%	0%
12 months and within 24 months	2%	25%	0%
24 months and within 5 years	7%	30%	0%
5 years and within 10 years	24%	40%	0%
10 years and above	62%	80%	20%

- 2.25 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.
- 2.26 **Principal sums invested for periods longer than a year:** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Principal Sums Invested for Periods Longer than a Year

	2021/22	2022/23	2023/24
Investments as at 31 st March 2022 invested for longer than 365 days	£10m	£10m	£0m
Limit on principal invested beyond year end	£50m	£25m	£25m

- 2.27 The £10m invested with a maturity date in the financial year 2023/24 complied with the limit of £25m, on 31st March 2023 the investment will have less than 1 year to maturity.
- 2.28 CIPFA published revised Treasury Management Code and Prudential Code on 20th December 2021 and has stated that formal adoption is not required until the 2023/24 financial year. This Council has to have regard to these codes of practice when it prepares the Treasury Management Strategy Statement and Annual Investment Strategy, and also related reports during the financial year.
- 2.29 Members will be updated on how the changes impact our current approach and any changes required will be formally adopted within the 2023/24 TMSS report. The changes represent good practice and we don't envisage any issues implementing the changes.
- 2.30 The revised codes will have the following implications:
- a requirement for the Council to adopt a new debt liability benchmark treasury indicator to support the financing risk management of the capital financing requirement;
 - Clarify what CIPFA expects a local authority to borrow for and what they do not view as appropriate. This will include the requirement to set a proportionate approach to commercial and service capital investment;

- Create new Investment Practices to manage risks associated with non-treasury investment (similar to the current Treasury Management Practices(TMPs));
- Ensure that any long term treasury investment is supported by a business model;
- A requirement to effectively manage liquidity and longer term cash flow requirements;
- amendment to Treasury Management Practice 1 to address Environmental, Social and Governance policy within the treasury management risk framework;
- Amendment to the knowledge and skills register for individuals involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each council;
- A new requirement to clarify reporting requirements for service and commercial investment, (especially where supported by borrowing/leverage).

3. Legal and financial implications

- 3.1 The publication of an annual strategy, a mid-year treasury report and an annual treasury management report conforms to best practice as required by the Code of Practice CIPFA Treasury Management in the Public Services.

4. Corporate implications

- 4.1 There are none.



Report to Audit and Governance Committee

Date:	28 July 2022
Title:	Internal Audit Charter
Relevant councillor(s):	N/A
Author and/or contact officer:	Maggie Gibb, Head of Business Assurance (& Chief Auditor)
Ward(s) affected:	N/A
Recommendations:	To approve the Internal Audit Charter
Reason for decision:	N/A

1. Executive summary

1.1 The purpose of the report is to present the Internal Audit Charter for approval.

2. Content of report

1.2 The Public Sector Internal Audit Standards (PSIAS), which took effect from the 1 April 2013, provide a consolidated approach across the whole of the public sector providing continuity, sound corporate governance and transparency. The Standards require all Internal Audit activities to implement and retain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter is to formally define the Internal Audit activity's purpose, authority and responsibility.

1.3 The Internal Audit Charter was reviewed by CIPFA as part of the External Quality Assessment in Q3 of 2021/22, and was found to comply with best practice.

1.4 The Internal Audit Charter has been presented to, and agreed by, the Audit Board (\$151, Monitoring Officer and Director for Legal and Democratic Services).

3. Other options considered

3.1 N/A.

4. Legal and financial implications

4.1 None.

5. Corporate implications

5.1 None.

6. Local councillors & community boards consultation & views

6.1 N/A

7. Communication, engagement & further consultation

7.1 N/A.

8. Next steps and review

8.1 The Internal Audit Charter is subject to review on an annual basis, with the next review scheduled for July 2023.

9. Background papers

None

10. Your questions and views (for key decisions)

10.1 If you have any questions about the matters contained in this report please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider please inform the democratic services team. This can be done by telephone 01296 382343 or email democracy@buckinghamshire.gov.uk.



Buckinghamshire Council

INTERNAL AUDIT CHARTER

Head of Business Assurance (& Chief Internal Auditor)

Date: 28 July 2022

Next review: July 2023

1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS), which took effect from the 1 April 2013, provide a consolidated approach across the whole of the public sector providing continuity, sound corporate governance and transparency. The PSIAS require all Internal Audit activities to implement and retain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter is to formally define the Internal Audit activity's purpose, authority and responsibility.
- 1.2 The Internal Audit Charter will be subject to approval by the Audit and Governance Committee on an annual basis to ensure that it is up-to-date and in line with the PSIAS requirements, which are subject to external validation within a five-year operating period.

2. Purpose

- 2.1 The role of Internal Audit is best summarised through its definition within the PSIAS, as an:
- 'independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.*

3. Authority

- 3.1 The requirement for an Internal Audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:
- 'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.*
- 3.2 The standards for 'proper practices' in relation to Internal Audit are laid down in the PSIAS (updated 2017).

4. Responsibility

- 4.1 There is a statutory requirement under Section 151 of the Local Government Act 1972 for the Council to establish a clear framework for the proper administration of the authority's financial affairs. The Council has delegated this responsibility to the Service Director of Finance. The S151 Officer relies, amongst other sources, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management.
- The Chief Internal Auditor is responsible for effectively managing the internal audit activity in accordance with the *'Definition of Internal Auditing'*, the *'Code of Ethics'* and *'the PSIAS'*.
- 4.2 Accountability for responding to Internal Audit reports and advice lies with Senior Management. The Chief Internal Auditor must be satisfied that Senior Management accept accountability for and provide an adequate response to issues raised through Internal Audit's work. When the Chief Internal Auditor is not satisfied, the matter will be escalated to the Board and relevant Corporate Management Team (CMT) members or Audit and Governance Committee, as appropriate.

5. Definitions

- 5.1 For the purposes of this charter, the following definitions shall apply in line with the duties laid out in the PSIAS:

Chief Audit Executive – is the person in a senior position responsible for effectively managing the Internal Audit activity in accordance with the Internal Audit Charter and the mandatory elements of the International Professional Practices Framework. In Buckinghamshire Council the Chief Internal Auditor is the designated 'Chief Audit Executive'.

The Board - the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. For Buckinghamshire Council this shall mean the Audit and Governance Committee. Buckinghamshire Council has put in place a sub-group of the board referred to as the Audit Board which comprises of the Monitoring Officer, Section 151 Officer and Chief Internal Auditor charged with directing and/or overseeing the activities and management relating to Internal Audit.

Senior Management – those charged with responsibility for the leadership and direction of Buckinghamshire Council, this shall mean members of CMT which comprises the Chief Executive and Corporate Directors, including the Monitoring Officer and Section 151 Officer.

6. Position in the Organisation

- 6.1 The Chief Internal Auditor reports functionally to the Audit and Governance Committee, and organisationally to the Service Director of Finance (and Chief Finance (S151) Officer) who has statutory responsibility under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper finance administration of the Council's affairs.
- 6.2 The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of Buckinghamshire Council and for ensuring that the principles of good governance are reflected in sound management arrangements.
- 6.3 The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Monitoring Officer responsibility, legality and standards.
- 6.4 Where it is considered necessary to the proper discharge of the Internal Audit function, the Chief Internal Auditor has direct access to the Chairman (and other members as appropriate) of the Audit and Governance Committee.

7. Internal Audit Resources

- 7.1 The Chief Internal Auditor will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with members of the Board, Senior Management and other professionals.
- 7.2 The Service Director of Finance (and Chief Finance (S151) Officer) will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the Internal Audit opinion. Internal Audit must be adequately staffed in terms of numbers, qualification level and experience, having regard to its objectives and to the standards. All Internal Auditors will hold a professional qualification or be training towards a professional qualification. Resourcing may be supplemented by commissioning additional audit capacity if the S151 Officer or Chief Internal Auditor feels it appropriate.

- 7.3 The Chief Internal Auditor will ensure that the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the Annual Internal Audit Strategy and Plan.
- 7.4 The Internal Audit Strategy and Plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources. Such proposals will be presented for agreement to the Audit Board and approval from the Audit and Governance Committee.
- 7.5 Senior Management and the Audit Board will be advised where, for whatever reason, Internal Audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process. The Annual Internal Audit Strategy and Plan will be submitted to Senior Management, the Audit Board and the Audit and Governance Committee for approval. The Chief Internal Auditor will be responsible for delivering the plan.
- 7.6 The plan will be kept under review to ensure it remains responsive to the changing priorities and emerging risks. Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to the Audit Board, Senior Management and the Audit and Governance Committee as appropriate.

8. Independence and Objectivity

- 8.1 Internal Audit will be sufficiently independent of the activities they audit to enable them to perform their duties in a manner that facilitates impartial, unbiased and effective professional judgements and advice.
- 8.2 Internal Auditors will have no direct operational responsibility or authority over any of the activities audited within Buckinghamshire Council. They will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair Internal Audit's judgement. Internal Auditors will not undertake audits for at least two years in an area where they have had previous operational roles and/or undertaken consulting activity. Internal Audit will therefore ensure that any potential conflicts of interest are recognised and addressed through the planning and resourcing process.
- 8.3 Internal Auditors must display the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or processes being examined.
- 8.4 If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to Senior Management and the Audit Board. The nature of the disclosure will depend upon the impairment.
- 8.5 The Chief Internal Auditor will confirm to the Audit and Governance Committee, at least annually, the organisational independence of the internal audit activity as part of the Annual Report.

9. Due Professional Care

9.1 The Council's Internal Audit activity will conform to standards and guidance contained in the PSIAS. The PSIAS encompasses the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework which include:

- the Definition of Internal Auditing;
- the Core Principles;
- the Code of Ethics; and
- the International Standards for the Professional Practice of Internal Auditing.

9.2 Internal Auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported to the Chief Internal Auditor.

9.3 In carrying out their duties, Internal Audit (subject to the appropriate vetting and security requirements for access and on production of identification) shall have unrestricted access to all records (documentary and electronic), assets and premises, belonging to the Council or its key delivery partner organisations. Internal Auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of Internal Audit work will not be used to effect personal gain. Internal Audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

10. Scope of Internal Audit Activities

10.1 Annually, the Chief Internal Auditor will submit to the Audit and Governance Committee the Annual Internal Audit Strategy and Plan for review and approval prior to the commencement of the financial year. The Chief Internal Auditor will communicate the impact of resource limitations and significant interim changes to the Audit Board and the Audit and Governance Committee.

10.2 The Annual Internal Audit Strategy and Plan will be developed based on a prioritisation of the audit universe and reference to the Strategic Risk Register. The plan is also informed through discussion with Senior Management including the Chief Executive, Corporate Directors, S151 and Monitoring Officers. Prior to submission to the Audit and Governance Committee for approval, the plan will be discussed with the Audit Board and Senior Management. The audit plan is dynamic in nature and will be reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities. Quarterly meetings with the Corporate/Service Directors are scheduled to ensure the plan is kept under continuous review. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

10.3 A range of Internal Audit services are provided (Annex 1) to form the annual opinion. The approach is determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisations success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

- 10.4 Internal Audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation. It may also evaluate specific operations at the request of the Board or Senior Management, as appropriate.
- 10.5 For each audit assignment, Internal Auditors will develop and document a plan including the objectives of the review, the scope, and timing and resource allocations. In planning the assignment, auditors will consider, in conjunction with the auditees, the objectives of the activity being reviewed, significant risks to the activity and the adequacy and effectiveness of the activity's governance, risk management and control processes.
- 10.6 Internal Audit will consult with the Council's external auditor and with other relevant inspection/assurance and review bodies, as required, in order to co-ordinate effort, ensure adequate coverage and minimise any duplication. The Chief Internal Auditor will meet regularly with the external auditors to consult on audit plans, discuss matters of mutual interest and to seek opportunities for cooperation in the conduct of audit work. The external auditors will have the opportunity to rely on the work of Internal Audit where appropriate.

11. Fraud and Corruption Responsibilities

- 11.1 The primary responsibility for the prevention and detection of fraud, corruption and theft rests with Senior Management.
- 11.2 Internal Audit is responsible for developing and implementing the Anti-Fraud and Corruption Strategy which is set out in the Council's Constitution. All suspicions of theft, fraud and irregularity should be reported to the Chief Internal Auditor, in accordance with the strategy. Internal Audit will investigate cases of suspected fraud and financial irregularities. In some cases, this may be delegated to the service itself following an assessment of risk and financial impact. All investigations will be monitored by Internal Audit, ensuring that all suspected and/or reported irregularities are dealt with promptly and in accordance with this strategy; and that action is identified to improve controls and reduce the risk of recurrence.
- 11.3 Internal Audit also facilitate Buckinghamshire Council's participation in the National Fraud Initiative (NFI), in which the Council's data is matched with data supplied from other Local Authorities and external agencies to detect potentially fraudulent activity.

12. Reporting and Monitoring

- 12.1 The PSIAS require the Chief Internal Auditor to provide an annual opinion, based upon and limited to the work performed, and on the overall adequacy and effectiveness of the organisation's systems of internal control which consist of a framework of governance, risk management and control. The annual report will incorporate as a minimum:
- the opinion;
 - a summary of the work that supports the opinion; and
 - a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

12.2 Organisational independence is achieved when the Chief Internal Auditor reports functionally to the Audit and Governance Committee, who will receive, challenge and monitor the following reports:

- Internal Audit Charter;
- Annual Audit Strategy and Plan;
- Internal Audit budget and resource plan;
- Progress in delivering the Annual Internal Audit Strategy and Plan;
- Internal Audit performance;
- Annual Internal Audit Opinion and Report; and
- Scope, form and results of internal and external assessments, as part of the quality management and improvement plan.

13. Provision of Assurance to Third Parties

13.1 The Council's Internal Auditors undertake Internal Audit and assurance activity for third parties, such as Buckinghamshire Fire & Rescue Service and local Academy Trusts.

13.2 The same principles detailed in this Charter will be applied to these engagements. In performing consulting engagements, Internal Audit will ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If Internal Audit develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.

14. Quality Assurance

14.1 The Internal Audit team will work to the PSIAS to maintain consistency in service provision. This requirement will be enforced through appropriate supervision and supervisory/management review of all audit working papers, action plans and audit reports.

14.2 Internal Audit will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity; and evaluates the activity's conformance with the Standards and application of the Code of Ethics. As such, the programme assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

14.3 The Chief Internal Auditor will communicate to senior management and the Audit and Governance Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing monitoring at least annually, internal assessments upon completion and external assessments conducted at least every five years. Disclosure will include:

- the scope and frequency of both internal and external assessments;
- the qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest;
- conclusions of assessors; and
- corrective action plans.

The results of the quality assurance improvement programme and progress against any improvement plans will be included in the Chief Internal Auditor's annual report.

ANNEX 1

Assurance Services

- a. **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
- b. **Developing systems audit:**
- the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
 - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- c. **Compliance audit:** in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.
- d. **Quality assurance review:** The PSIAS requires that a quality assurance framework be established, which will include both internal and external assessment of the work of Internal Audit. The Chief Internal Auditor is responsible for providing periodically an internal quality assessment (IQA) on the internal audit activity as regards its consistency with the requirements of the PSIAS. This will be carried out through annual self-assessment using the checklist in the CIPFA Application Note. Results of these IQAs will be communicated to the Audit and Governance Committee through the annual report. External quality assessments (EQAs) will be conducted at least once every five years and may be a full external assessment or a self-assessment with independent validation in line with the PSIAS. These reviews will be commissioned in line with the PSIAS and the approach will be agreed by the Board with outcomes reported to the Board by the Chief Internal Auditor.
- e. **Follow-up:** The PSIAS also require the Chief Internal Auditor to establish a follow-up process to monitor and ensure management actions have been effectively implemented. This Internal Audit will facilitate the Council's monitoring of implementation of agreed management actions, reporting on progress quarterly to the Board and Senior Management. Individual follow-up assignments will be commissioned to review areas that receive a "Limited" assurance rating.
- f. **Fraud and irregularity investigations:** Managing the risk of fraud and corruption is the responsibility of management; Internal Audit will assist management in the effective discharge of this responsibility. Audit procedures alone cannot guarantee that fraud or corruption will be detected. Internal Audit does not have responsibility for the prevention or detection of fraud and corruption. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. It is the responsibility of Senior Management to promote awareness of and adherence to the Council's Anti-Fraud and Corruption Strategy. It is important that the Chief Internal Auditor is notified of all suspected or detected fraud, corruption or impropriety, to inform the annual audit opinion and the risk-based plan.
- g. **Advisory / consultancy services:** The PSIAS defines consulting services as follows:
"Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training".

Buckinghamshire Council's Internal Audit Strategy and Plan will clearly show items which fall within the definition of consulting services. The PSIAS requires that approval must be sought from the board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement (Standard 1130).

- h. Third party assurance:** the availability of objective assurance from other assurance providers will be considered in determining audit needs. Where Internal Audit needs to work with the Internal Auditors of other organisations, a practice which is expanding with the development of more organisational strategic partnerships, the roles and responsibilities of each party, as well as billing arrangements, will be clearly defined, agreed and documented prior to the commencement of work. Internal audit will also ensure awareness of and seek to place reliance on the work of other review bodies such as HMIC and HMRC, et cetera.

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Audit and Governance Committee

Date:	28 July 2022
Reference number:	N/A
Title:	2021/22 Business Assurance Strategy Update (incl. Internal Audit Plan)
Cabinet Member(s):	N/A
Contact officer:	Maggie Gibb, Head of Business Assurance (& Chief Auditor)
Ward(s) affected:	N/A
Recommendations:	Members are recommended to note the report
Reason for decision:	N/A

1. Executive summary

- 1.1 The purpose of the report is to present the 2021/22 Business Assurance Strategy update, including progress against the Internal Audit Plan.
- 1.2 The 2021/22 Internal Audit Plan has been reviewed to identify the key audit activities to be delivered considering the priorities within the Directorates and working around the service reviews that are currently in progress.

2. Content of report

- 2.1 The Business Assurance Strategy; including the Internal Audit Plan was agreed by the Audit Board and by the Audit and Governance Committee in June 2021. The Internal Audit Plan was produced with reference to the Strategic and Directorate Risk Registers; and informed through discussion with the Senior Leadership Teams for

each Directorate, Heads of Finance, Section 151 Officer and the Deputy Chief Executive.

- 2.2 The Internal Audit Plan has continued to be dynamic in nature with activity reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities.
- 2.3 Quarterly Business Assurance updates are presented to each Directorate Leadership Team providing updates on the planned audit and assurance activity, which are reviewed for appropriateness each time. We also seek the views of the directorates on the work of the Business Assurance Team to enable continuous improvement and ensure that we are meeting the needs and expectations of the organisation as best we can.
- 2.4 Progress against strategy has been presented to, and agreed by, the Audit Board (S151 Officer, Monitoring Officer and Director of Legal Services).

3. Other options considered

- 3.1 N/A.

4. Legal and financial implications

- 4.1 None.

5. Corporate implications

- 5.1 None.

6. Local councillors & community boards consultation & views

- 6.1 N/A

7. Communication, engagement & further consultation

- 7.1 N/A.

8. Next steps and review

- 8.1 An update on delivery of the Business Assurance Strategy and a summary of the internal audit output will be presented as a standing agenda item at Audit and Governance Committee meetings.

9. Background papers

9.1 None.

10. Your questions and views (for key decisions)

10.1 If you have any questions about the matters contained in this report please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider please inform the democratic services team. This can be done by telephone 01296 382343 or email democracy@buckinghamshire.gov.uk.

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BUCKINGHAMSHIRE COUNCIL

Business Assurance Update

Progress against the Internal Audit Plan 2021/22 and Q1 2022/23

Maggie Gibb

Head of Business Assurance (& Chief Internal Auditor)

July 2022

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1. Introduction

1.1 The Business Assurance Team is responsible for implementing the Council's Assurance and Risk Strategy through delivery of work programmes covering the following areas of activity:

- Internal Audit;
- Risk Management;
- Counter Fraud; and
- Assurance.

1.2 This report outlines the work carried out by the Business Assurance Team for 2021/22 and quarter one of 2022/23. The Internal Audit, Risk Management, Counter Fraud and Assurance work plans were produced with reference to the Strategic and Service Risk Registers along with consultation with Senior Leadership Teams for each Directorate. A risk-based methodology was applied in developing the plans, to ensure that assurance work remained focussed on the Councils key risks and priorities.

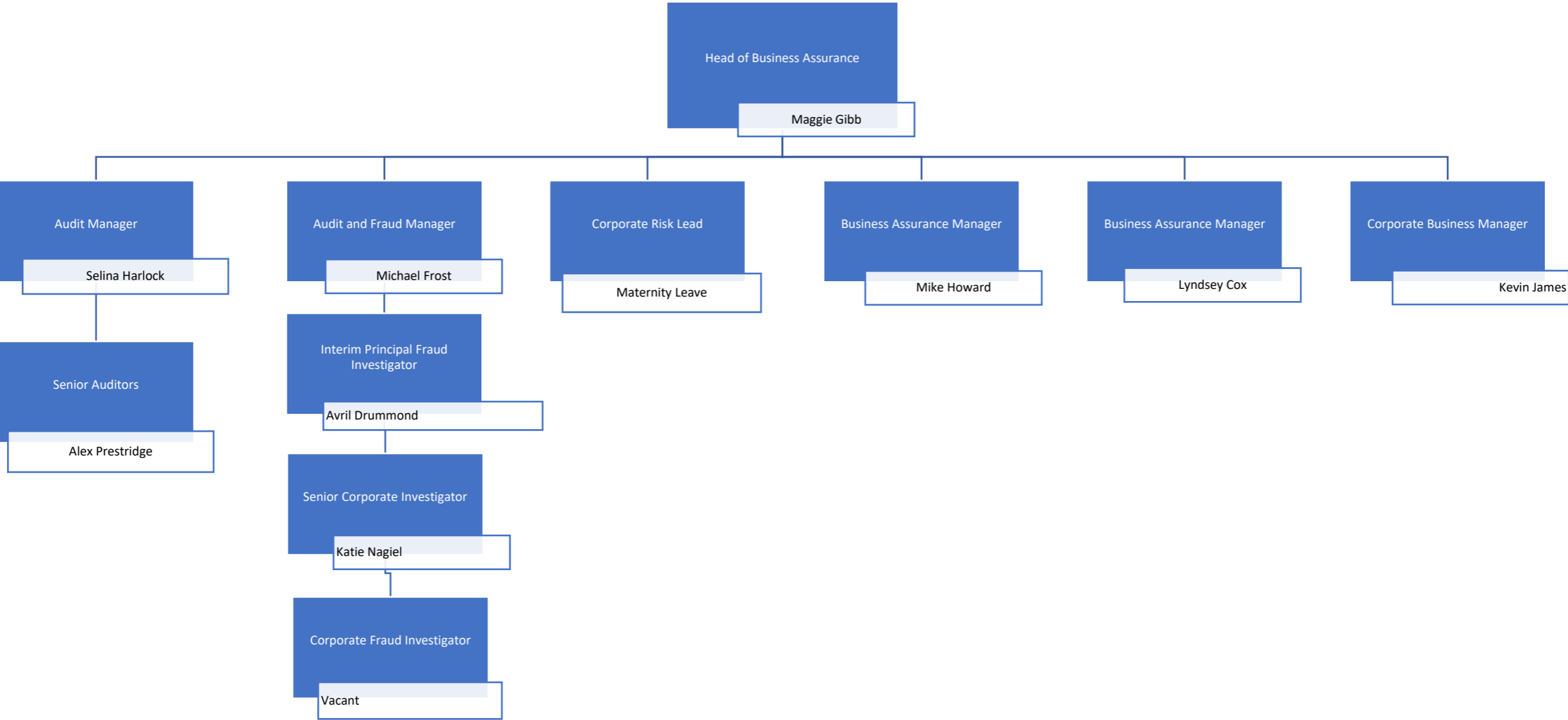
1.3 The Business Assurance work plans continue to be dynamic in nature and are reviewed on a regular basis to ensure they continuously consider any new, emerging and changing risks and priorities. Quarterly updates on Business Assurance activities have been presented to each directorate leadership team providing them with an overview of the Internal Audit activities including progress on implementation of audit actions; and a risk management update on escalated risks with status of risk reviews.

1.4 The Business Assurance Team is currently going through a Service Review, which is part of the Better Buckinghamshire Programme. The vision for the service is to be a cohesive forward thinking multi strength team with a real focus on the needs of the service to ensure the best quality customer experience is delivered. The service is working towards creating a risk based strategic assurance plan that dynamically identifies and supports in the response and management of risks being faced by the council. The review involves an evaluation of our current service delivery and works towards designing a human-centred and future-focusses service that delivers on the needs of customers and the team (officers). The service is currently at the consultation phase of the service review whereby officers are able to provide feedback and comments on the new proposed new structure. Once the new structures is confirmed where applicable the recruitment process will commence. We expect the review to be concluded by the end of quarter two.

2. Resources

2.1 The Business Assurance team has remained unchanged since the last update, where we reported the departure of the Corporate Fraud Investigator, the Mazar Seconded auditor and the Interim Corporate Risk Lead. We continue to resource work plans with a mix of in-house staff and a partnership arrangement with the APEX London Audit Framework. The framework is hosted by the London Borough of Croydon and the audit service is currently provided by Mazars. This arrangement allows for a flexible approach and enables us to respond swiftly to urgent requests for resource such as for investigations. The framework also enables us to request specialist resource such as IT auditors and contract auditors where the in-house team do not have the appropriate technical skills.

Business Assurance Team Structure (resources and structure being considered as part of service review process)



3 Risk Management

- 3.1 The Business Assurance Team have been reviewing the risks in more detail to ensure that the magnitude of risks is understood and that there are appropriate internal controls and/or actions undertaken to mitigate risks and address some of the risk gaps identified.
- 3.2 We have continued to offer monthly risk management and Pentana training sessions and have reviewed our Risk Management e-learning module. We are continuing to identify and expand our training delivery methods and tailored education offerings.
- 3.3 The Business Assurance team has established an emerging risk register which is reported to Risk Management Group and the team are sharing knowledge to directorates' Risk Champions. The last meeting of the Risk Management Group was held on 25 April 2022, an update on this meeting was reported to the Audit and Governance Committee in May.
- 3.4 The team are currently drafting the Risk Management strategy which informs the Risk Management Framework consisting of a tailored Risk Reporting and Escalation Frameworks for each directorate to suit their business needs. The strategy will be presented to this committee at the next meeting scheduled for September.

4. Internal Audit

- 4.1 In Q1 the Internal Audit function has been progressing with completing the remaining audit engagements from 2021/22. We have continued to follow a more fluid approach in the delivery of the audit plan. We regularly review the Internal Audit plan through discussions with Directorate Leadership Teams to help ensure that the assurance activities are continuously aligned and focused on emerging issues/ risks. Any significant deviation from the approved Internal Audit Plan is communicated through the periodic activity reporting process.
- 4.2 From review of the plan with directorates 38% of the audits activities have been deferred or cancelled, due to on-going service reviews within the directorates, system implementation or other transformation activity on-going within services - reasons for the cancellations/ deferments are noted within Appendix 1 highlighted in blue. Since the previous Committee meeting, progress has continued, and the chart below provides a summary of the progress made in delivering the approved 21/22 plan:

Chart 1 – Status of 2021/22 Audit plan



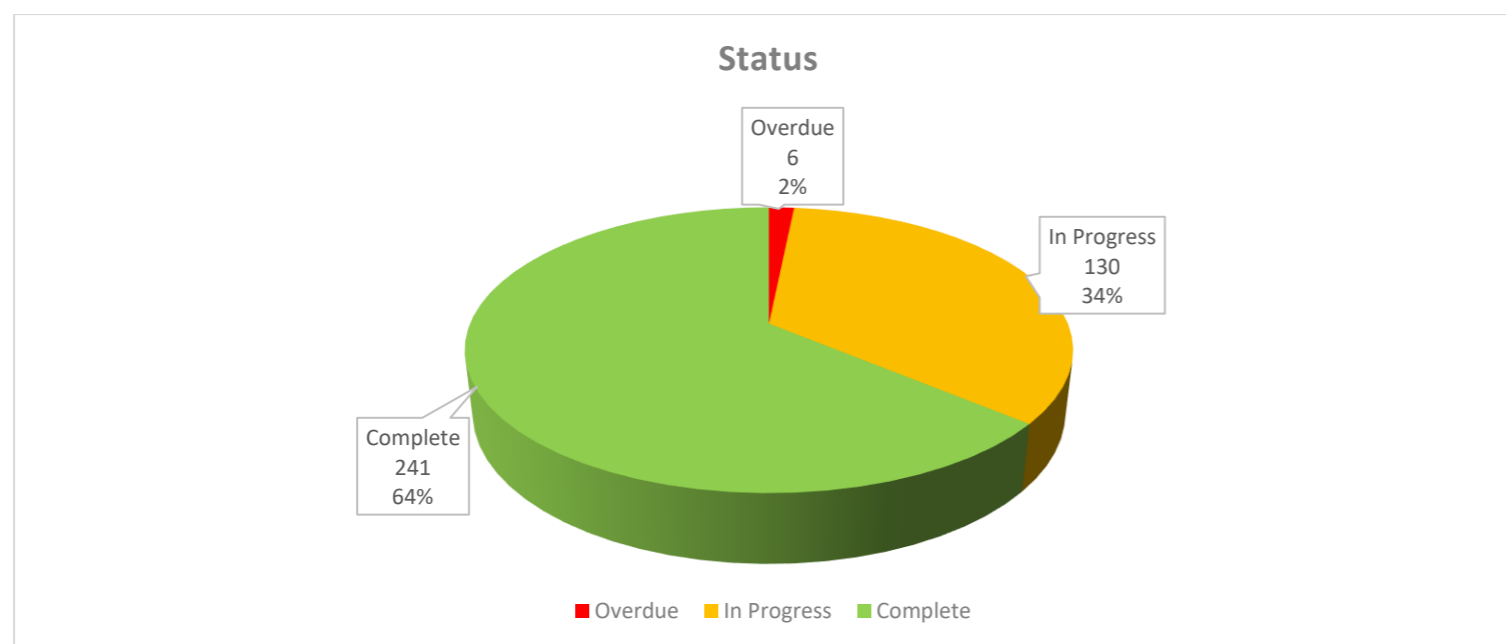
4.3 Appendix 1 outlines a summary update of the progress being made against the approved plan. There are three audits within Children’s Services that were cancelled as the audit activity needs to be focused on the findings of the Ofsted Social Care and SEND inspection findings. The Ofsted related activity is included in the 22/23 Internal Audit Plan and the team have scoped that is planned for delivery in Q3. All fieldwork for 2021/22 activity has been completed, however due to ongoing delays due to service reviews and staff availability there are current nine audit reports that are at draft reporting stage.

4.4 The team have been progressing with agreed 22/23 audits that were deferred from the previous year. Below is an outline of the status of the audits that are currently in progress:

1. Complaints – draft reporting stage
2. William Harding School Finance Audit – fieldwork complete and at draft reporting stage, expecting a delay in finalising this report due to school being closed for the summer
3. Direct Payments (A&H) – scope agreed and fieldwork commencing in August
4. Ofsted Improvement Plan assurance (Social Care) – fieldwork in progress
5. Growth Hub Grant Funding to LEPs – Grant Certification complete
6. Supported Families Programme Grant Claim 1 – Grant Certification complete

4.5 Using the audit tool, ‘Pentana’, Internal Audit have been monitoring implementation of audit actions. Follow-up of management actions is a continuous task that is undertaken by the auditors alongside their assigned audit engagements. The chart below provides a summary on the implementation status of the audit actions:

Summary Status of Management Actions



4.6 Progress against implementing audit actions is reported to each of the Directorate leadership team meetings on a regular basis, and outstanding audit actions are reported to the Corporate Management Team (CMT).

4.7 The Audit Board, chaired by the Service Director, Corporate Finance (S151), have reviewed progress against the Business Assurance Strategy, in particular delivery of the Internal Audit Plan. Appendix 1 shows the current progress updated against the Internal Audit Plan.

5. Business Assurance

5.1 **Covid Grants:** A significant proportion of the internal audit resource has continued to provide assurance over the Covid-19 grants received from central government. The Council received an additional c.£70.0m in FY22 across directorates to provide services and support the communities, residents, and businesses, resulting in a total of c.£145.1m in COVID funding for FY21 and FY22 combined. A COVID grants governance framework was put in place which provided continuous assurance and holistic oversight of all the COVID grant expenditure across the directorates. Key stakeholders were engaged in the process such that notifications of new grants were being timely communicated to internal audit to ensure that the grant is recorded centrally, the responsible officers were identified, and cost centers were created in preparation for the income receipt. Through this process mechanisms were in place to ensure that the grants were maximised, spent in line with the criteria, key risks were highlighted where grants may be over/underspend and through weekly reporting any key concerns were flagged to the respective Heads of Finance for resolution in a timely manner. At the peak of the COVID grant assurance activities, the team were supporting 45 different grants. There are currently three COVID grants that remain open, one held in the Resources directorate where we are still waiting for guidance from central government on the required returns and reconciliations. Two grants are within the Deputy Chief Executive directorate. Internal Audit will continue to liaise with the services to ensure returns and required reconciliations are complete in line with guidelines and agreed deadlines.

5.2 **Cash Receipting Capita Pay360 system implementation assurance:** In quarter one, the team have completed the assurance review of the Cash Receipting Capita Pay360 system upgrade was undertaken in Q4 to help ensure that the upgrade was completed successfully. The review consisted of an evaluation of Project Planning and the Control Framework. Whilst the majority of the project planning controls evaluated were deemed to be adequate, the review noted one exception:

- Progress against the project plan had been kept up to date, however completed actions were removed, making it difficult to identify where delays occurred and pre-empt them on future projects. Moreover, one of the initiatives that was delayed in January remained delayed until the end of March, indicating that escalation and prioritisation may not have been sufficient. Additionally, some initiatives whose start or even end date has passed were still marked as “Work not due to start yet”.

From a review of the Control Framework, the following areas of improvement were noted:

- Limited examples of controls are systems based and strong, e.g., automatic import of transactions.
- Most controls are manual, and therefore relatively weak, e.g. manual emailing of screenshots of unmatched transactions.
- Access to suspense accounts – these can be edited in SAP by unauthorised individuals, making reconciliation with Capita ONE more difficult.

The recommendations made have been accepted by the service. As part of the FY2022/23 Key Finance Systems audit, Internal Audit will re-evaluate the control frame to ensure that the areas of improvement identified have been addresses.

5.3 **Agile Delivery Methodology Assurance** In Q4 Internal Audit were commissioned by the Policy and Communications Service to assess how the Council uses the Agile methodology, on which projects and how it aligns with best practices. The Council have previously used the PRINCE2 project management methodology to deliver their projects using the traditional “waterfall” methodology. However, IT projects, such as the Family Information Service and notably the Web Project (which sits under the Better Buckinghamshire Programme), are now adopting Agile delivery methodologies. The effective management of projects by the Council is essential to deliver change to time, cost and scope parameters to allow for successful benefits realisation. The review was based on documentation sent over by the Digital Delivery Team and various interviews with the Team. The Web Project has been examined as an example of an agile project delivered by the Digital Delivery Team and the review specifically examined operational effectiveness concerning the following areas; Delivery alignment with best practice, Appropriateness of methodology, Resourcing, and Wider governance and stakeholder engagement.

The review concluded that:

- The Digital Delivery Team uses Agile methodologies appropriately and is aligned with best practices. There is a clear focus on the end-user.
- It is occasionally difficult to coordinate the Digital Delivery Team’s efforts and other services they depend on. However, a proposed solution is increasing the involvement of stakeholders in the development of user stories and epics.
- Reporting takes place both verbally and through reports. Various metrics can be used to measure the progress, performance, and overall benefits realisation of an Agile project. These can then be used to improve processes further.

6 Counter Fraud

6.1 The Business Assurance Team has been working closely with the Revenues and Benefits Teams to investigate any potentially fraudulent Business Rate Grant Claims.

Business Rate Grant applications referred to Business Assurance	49 (0 this month)
Additional Restrictive/Restart Grant applications referred to Business assurance	56 (0 this month)
Number failed risk assessment (deemed to be low risk and so not investigated, or closed after initial investigation)	33
Number investigated (BRG and ARG) to date	49
Number of potential prosecution claims	10
Number of prosecution files being prepared for legal services as of 1 July 2022.	5 One case is currently awaiting a trial (which will not be until late 2022), one case was sentenced and received a £21k fine in January 2022. A summons has been issued for a further case to be heard in Court on 6 July 2022. Two other cases have prosecution files currently being prepared.

Cases whereby the grants were paid wrongly, but fraud was not proven, will be recovered.

The Investigations Team are undertaking daily pre-payment reviews to support the Omicron grant process.

Other cases currently under investigation are as follows:

- Council Tax Reduction cases received this month – two; and currently investigating six in total.
- Single Person Discount cases received this month – eight; and currently investigating nine in total.
- Blue Badge cases received this month zero; currently investigating one in total.
- Disabled Facilities Grant received this month – zero; referrals closed after risk assessment – zero, currently investigating two in total
- Housing Fraud cases received this month - two, currently investigating four in total.
- Planning application fraud cases received this month - zero, currently investigating zero.
- Insurance case received this month – zero, currently investigating one.
- School admissions cases received this month - zero, currently investigating zero.
- Adult Social Care cases received this month - zero, currently investigating one.
- Council Tax liability cases received this month – zero, investigating one.
- Identity fraud cases received this month – zero, investigating two.
- Omicron Grant cases received this month – one, investigating three in total.
- Phishing scams or attempts this month: one
- Direct payment cases received this month – one, investigating one.
- Credit card misuse case received this month – one, investigating zero.
- Building Control case received this month – one, investigating one.
- Requests for information: three.

Appendix 1 - Summary of Internal Audit Activity

Directorate	Service	Audit Title	Status/Opinion
Corporate	Corporate	Governance	Cancelled - Delivered through work with Corporate Governance Manager
	Corporate	Business Cases	Cancelled – resource pressures within the Internal Audit team recommend that audit be undertaken in 22/23 as part of the Capital Programme audit
	Corporate	General Grants	On-going
	Corporate	Covid-19 Pre and Post Payment Assurance Plan	On-going; looking at assurance that we have taken reasonable steps to ensure that payments are made to legitimate clients.
	Corporate	Covid-19 Response	Continuous assurance on the Covid-19 grants that are received from government departments to support the Council's response to Covid-19.
Deputy Chief Executive	Policy and Comms	GDPR – Council wide audit	A new system is currently being implemented. Audit being deferred and will be undertaken once the system and processes are embedded in 22/23.
	Localities & Strategic Partnerships	Community Boards	A review is being undertaken by the Select Committee that highlighted areas of improvement – agreed to undertake the audit once the identified improvements have been implemented. Deferred to 22/23
	Legal/ Dem Services	Legal Process Review	Deferred to 22/23 – processes are currently being developed. Audit best placed to review once these are embedded. Recommend an audit in Q1/Q2 22/23
	Legal/ Dem Services	Member Declarations and Member Complaints Process	Final Report - Substantial
	Service Improvement	Assurance over Service Improvement Programme	Deferred – Business Assurance is currently undergoing a Service Review, therefore, to ensure objectivity the assurance is deferred to 22/23.
	Service Improvement	Digital	Final report Agile Delivery assurance.
	Service Improvement	Workstyle Strategy	Deferred to 22/23 per request from SLT – business case recently approved and strategy in early stages.
	Localities & Strategic Partnerships	Assets of Community Value	Final Report - Substantial
	Legal/ Dem Services	Elections	Final Report - Substantial
	Policy & Communication	Complaints	A new system is currently being implemented. Audit being deferred and will be undertaken once the system and processes are embedded in 22/23.
Resources	Finance	Pensions	Final Report - Substantial
	Finance	Capital Programme	Deferred to 22/23 – resource pressures within the Service due to sickness.
	Finance	Contract Management	Deferred to 22/23 – this is a Council wide audit and there are resource pressures within the services to support the audit.
	Finance	Asset Management	Cancelled per request from SLT – substantial work undertaken by external audit.
	Finance	Budget Management	Final Report - Substantial
	Finance/ HR	Expenses	Continuous review of expenses to identify suspicious transactions
	Finance	Accounts Payable	N/A follow-up of prior year actions
	Finance	Accounts Receivable	N/A follow-up of prior year actions
	Finance/ HR/ IT	Service Now Review	Deferred to 22/23 per request from SLT – the use of Service Now will be looked at as part of the service review – this is a low-risk area.
	Finance	SAP Interfaces	Mapping of systems that interface with SAP.
	Finance	Cash Receipting End-to-End Process Review	Final report assurance review of the Cash Receipting Capita Pay360 system upgrade
	Finance	Treasury Management	Final Report - Reasonable
	Finance	Debt Management	N/A follow-up of prior year actions

	Finance	General Ledger	Actions from the previous year have been followed up and an Assurance Pack within Corporate Finance has been developed that is continuously monitoring compliance. Audit cancelled for this year.	
Directorate	Service	Audit Title	Objectives/Risk/Concerns	
Resources	Finance	Revs & Bens System Implementation Assurance	Phase 1 system implementation assurance completed. Phase 2 of the system implementation has commenced, and assurance is being provided throughout the project delivery.	
	Finance	CTAX	Deferred to 22/23. New Revenues and Benefits system being implemented. Full audit to be undertaken once all legacies are migrated onto the new platform. Internal Audit are providing assurance on the system implementation.	
	Finance	NNDR		
	Finance	CTRS/HB		
	Finance	Procurement	New procurement regulations being introduced – deferred to 22/23 once implemented.	
	Finance	iCares Accounts Payable	Final Report - Reasonable	
	Finance	iCares Accounts Receivable	Final Report - Reasonable	
	HR	Payroll	Final Report - Reasonable	
	HR	Apprenticeship Levy	Deferred to 22/23 per request from SLT – low risk.	
	HR	IR35	Deferred to 22/23 – regular reporting on high-cost interims undertaken.	
	IT	IT Asset Management	Final Report - Reasonable.	
	IT	Cyber Security	Final Report - Reasonable	
	IT	Audit needs assessment. Review to determine IT audit work to be undertaken.		
	Planning, Growth & Sustainability	Property & Assets	Wycombe Old Library	Cancelled per request from SLT – project complete and value needed in service project governance assurance
		Property & Assets	Project Governance	TBC – DRAFT Report
Housing & Regulatory Service		Enforcement (Housing)	Deferred to 22/23 per request from SLT, recruitment in progress as there are unfilled posts in the service – propose Q1	
Housing & Regulatory Service		Grant verification	Disability Facilities Grant - Completed	
Planning & Environment		Building Control	Deferred to 22/23 – Service review in progress.	
Planning & Environment		CIL/Section 106	Final Report - Limited	
LEP		LEP Audit	New white paper released other areas to consider – additionally due to staff changes within LEP audit is being deferred to Q1.	
LEP		Grant Verification	Growth Hub Funding to LEPs – claim verification for FY20/21 funding. Completed	
Housing & Regulatory Service		Homelessness	Deferred to 22/23 per request from SLT, recruitment in progress as there are unfilled posts in the service – propose Q1.	
Strategic Transport & Infrastructure		SEALR	Project assurance in year request.	
Housing & Regulatory Service		Temporary Accommodation	Deferred to 22/23 per request from SLT, recruitment in progress as there are unfilled posts in the service – propose Q1	
Property & Assets		Property Maintenance	Deferred to 22/23 – Service review in progress.	
Planning & Environment		Climate Change	Separate assurance programme being developed that will be aligned to the Climate Change Strategy. Commence assurance delivery in 22/23.	
Property & Assets		Property Repairs and Renewals	Deferred to 22/23 – Service review in progress.	
Property & Assets		Health & Safety	Cancelled per request from SLT – assurance process in place to ensure adequate arrangements are in place and mechanism for reporting agreed.	
LEP	Grant Verification	EU Transition Business Readiness Growth Hub Funding to LEPs FY20/21. Completed		

	LEP	Grant Verification	Supplemental Growth Hub Funding to LEPs FY20/21. Completed
	LEP	Grant Verification	Peer Network Funding to LEPs FY 20/21. Completed
Directorate	Service	Audit Title	Objectives/Risk/Concerns
Communities	Highways & Technical Services	Flood Management	Final Report - Reasonable
	Neighbourhood Services	Taxi Licensing	Final Report - Reasonable
	Neighbourhood Services	Crematorium	TBC – DRAFT Report
	Neighbourhood Services	Waste – Procurement and Disposal of Assets	Deferred to 22/23 due to the responsible team being subject to a Service Review.
	Highways & Technical Services	Parking	Deferred to 22/23 per request from SLT – new system and structure, need to embed processes. Recommend Q1/2
	Transport Services	Home to School Transport	Deferred to 22/23 per request from SLT – new system will need to be embedded. Recommend Q2
	Transport Services	Grant Verification	Bus Subsidy Ring-Fenced (Revenue) Grant. Complete
	Highways & Technical Services	Transport for Bucks	Service currently undertaking a large tender exercise – assurance work on-going.
	Transport Services	Home to School Transport – Contract Assurance	Contract Management assurance. Internal Audit were commissioned to undertake an independent review to provide an opinion on the consistency of the onboarding process of operators onto the DPS (Dynamic Purchasing System) and subsequent awarding of contracts.
	Neighbourhood Services	Household Recycling Centres	Deferred to 22/23 – new procurement in progress. Recommend review once new arrangements are in place
	Neighbourhood Services	Energy for Waste	Final Report - Reasonable.
	Highways & Technical Services	Grant verification	Highways Maintenance Challenge Fund Grant. Complete
	Adults & Health	Quality Standards & Performance	iCares System – IT Application Controls Audit
Integrated Commissioning		Direct Payments	Service currently undertaking improvement work – agreed to defer review to Q2/3
Integrated Commissioning		Supplier Viability	Final Report - Reasonable.
Adult Social Care		Implementation of Medications Policy – In-house services	Final Report - Reasonable
Adult Social Care		Interface – Hospital Discharges and Social Care	Deferred from 21/22 per request from SLT – process is weak and social care are currently working to develop and improve process. Plan for Q1/2
Quality Standards & Performance		Quality Assurance Framework (QAF)	Cancelled per request from SLT – framework is fully operation and an annual external audit arrangement is in place. No concerns in this area.
Integrated Commissioning		Choice and Charging Policy	Final Report - Reasonable
Adult Social Care		Implementation of Medications Policy – Commissioned services (Follow-up)	Actions were implemented per the agreed actions, however at time of follow-up it was determined that actions are not being followed as there were superseded by COVID arrangements.
Adult Social Care		Deprivation of Liberty Standards (DoLs) (Follow-up)	No opinion – All actions from the 19/20 audit were fully implemented.
	Social Care	Social Work England Information Requests	Deferred to 22/23 per request from SLT – service currently developing a process. Assurance needed when process is embedded.

	Social Care	Care Leavers	Audit cancelled, need to be considered in light of the Ofsted findings.
	Social Care	Fostering Services	Audit cancelled, need to be considered in light of the Ofsted findings.
Directorate	Service	Audit Title	Objectives/Risk/Concerns
Children's Services	Education (Schools)	Booker Park	Final Report - Reasonable
		Speen School	Final Report - Reasonable
		Buckingham School	Final Report - Reasonable
		Cedar Park	Final Report - Reasonable
		Radnage CoE Infant School	Final Report - Reasonable
		Hazlemere CoE School	Final Report - Reasonable
	Social Care	Children's Homes	TBC – DRAFT Report
	Education	SEND – Complaints & SARs	Audit cancelled, need to be considered in light of the inspection findings.
	Education	Early Years - Entitlement for 2/3/4 yrs. and Claims Payment	Final Report - Reasonable
	Social Care	Commissioning of Residential placements	TBC – DRAFT Report
	Education	SEND Transport Eligibility	New audit requested by service – deferred to 22/23 due to SEND inspection
	Education	Grant Verification	DfT – Travel Demand Grant. Complete
			Schools Direct Salaried Grant (Ashmead Combined School). Complete Schools Direct Salaried Grant (Bedgrove Infant School). Complete
Social Care	Supported Families Programme Grant Verification	Completed in June for 65 families under Sustained and Significant Progress	
Children's Services	Social Care	Supported Families Programme Grant Verification	Claim made for 77 families under Sustained and Significant Progress
			Completed in June for 65 families under Sustained and Significant Progress
			Claim made for 77 families under Sustained and Significant Progress
			Claim made for 71 families under Sustained and Significant Progress
			Claim made for 84 families under Sustained and Significant Progress



Report to Audit & Governance Committee

Date:	28th July 2022
Title:	Contract Procedure Rules – Waivers & Breaches
Relevant councillor(s):	N/A
Author:	Cael Sendell-Price JP, Head of Strategic Procurement
Ward(s) affected:	N/A
Recommendations:	Members are asked to note this report and the work of the Strategic Procurement Team

Summary

1.1 This report provides an updated summary in relation to compliance with the Council’s Contract Procedure Rules (CPR’s) and compliance with the Public Contracts Regulations 2015. as well as summarising waivers and breaches. It also provides a quick summary of the current procurement culture and relevant updates for the Council.

- Pages 1-8 Main report
- Confidential Appendix 1 - Breach reports

1.2 The Committee have received previous reports on this subject, the last presented on 25th January 2022 which covered the first 6 months of the financial year 21/22. This report is a six-month update and covers the last 6 months of financial year 21/22.

The reporting period covers the following period:

1st October 2021 until 31st March 2022

1. Background

The Council, as a public body when undertaking procurement exercises and awarding contracts, must comply with the Public Contracts Regulations 2015. The Regulations place a great deal of restrictions on the Council in how it is permitted to run procurement exercises and in some cases the Council could be sued by bidders for not following these Regulations.

It should be noted that it is the relevant service area/ directorate that are responsible for undertaking procurement exercises and the management of contracts, not the procurement team. The procurement team develop the corporate policy, support high risk/value procurement exercises, and provide training on procurement & contract management.

2. Contract Procedure Rules relating to Contracts, Waivers and Breaches

The CPRs state that Corporate Directors are responsible for procurement exercises and Contract management activities. This responsibility is then delegated to Service Directors & Heads of Service. Rules 6.31 to 6.37 state that all purchases over £25K (inc.VAT) must be subject to competition. Where the estimated whole life cost of a contract is:

Up to and including £25,000 for Goods, Services and Works:	A minimum of 1 written quotation is required. This can be a written confirmation by an officer of an oral quotation. Where possible local suppliers should be given the opportunity to bid.
Over £25,000 and up to the Procurement Threshold for Goods & Services (including the Light Touch Regime):	A minimum of 3 written quotations requested. Where possible local suppliers should be given the opportunity to bid.
Over £25,000 and up to the Procurement Threshold for Works:	A minimum of 4 written tenders requested. Where possible local suppliers should be given the opportunity to bid.
Relevant Procurement Threshold and over:	Full Tender Process or compliant Framework Agreement.

Table 1: Internal Thresholds - All thresholds now include VAT

Rule 6.18 allows a Waiver to the requirement for competition and allows a contract to be placed by direct negotiation with one supplier. This needs to be agreed and documented in advance. Waivers under this Rule, however, cannot be granted if over the relevant Procurement Thresholds.

- The goods and services threshold is **£213,477**.
- The Light Touch Regime (LTR) threshold is **£663,540**.
This is a Procurement regime for social and other specific services including:-

- Health, social and related contracts
- Administrative social, educational, healthcare & cultural services
- Hotel and restaurant services
- Legal services
- Other administrative services and government services
- Provision of services to the community

➤ The works threshold is **£5,336,937**.

If a direct award is made which is above the relevant procurement threshold (if a legal alternative such as a Framework is not used) or a contract has rolled on after its end date then a breach has occurred, and officers are obliged to report this to the S151 Officer and Monitoring Officer (statutory officers). In some instances, there may be legal permitted changes within the Public Contracts Regulations 2015.

3. Waivers

Service areas can complete waiver forms to waive internal rules, but not contracts that are subject to the Procurement Regulations such as contracts over the legal procurement threshold. Service areas must demonstrate in advance why a waiver is needed and must include evidence to prove this is best value. The Procurement team carries out commercial assessments on all waivers using a risk-based approach. Legal and financial input is requested when appropriate.

Waivers are signed off by sign off by:

1. S151 Officer (delegated to the Head of Strategic Procurement);
2. Relevant Corporate Director;
3. Relevant Cabinet Member.

The main factors considered in how the risk rating is arrived at include:

- The value of the contract and previous spend on the contract.
- Reasons for the Waiver.
- Any risks associated with the supplier.
- Whether the marketplace is prone to challenge.
- The requirement is a one-time requirement.
- There is an on-going requirement, but a compliant procurement process is underway or substantially planned.
- Possible reputational damage.

Waiver summary Q3-4 FY 21/22

There were a total number of 38 Waivers registered in this 6-month period.

➤ **Quarter 3**

- There were 10 completed Waivers.
- The total value of Waivers approved during this period was £15,174,748.
- The highest value Waiver was for £13,606,899. This was for The Aylesbury Grid Reinforcement project (capital programme). The advice from external legal is that this falls under the Utilities Contracts Regulations 2016 and that we can rely on Regulation 34 as an exemption
- The lowest value Waiver was for £12,124.

➤ Quarter 4

- There were 20 completed Waivers.
- The total value of Waivers approved during this period was £2,380,412.
- The highest value Waiver was for £908,733. This was for the Pensions Administration System – which is permissible under the requirements of Regulation 72
- The lowest value Waiver was for £4,826.

It should be noted, that waivers are not negative. They are a tool for the Council to get a quick solution at best value and are subject to a high level of assurance.

4. Breaches to Public Contracts Regulations 2015

Three breaches have been reported to the Statutory Officers in the period since the last report. Please see Confidential Appendix 1 for the full report which has been drafted by the relevant service area. This report shall be presented by an officer from the service area.

5. Publication of Opportunities and Award Notices

The Public Contracts Regulations 2015 require Local Authorities to publish contract opportunities and award notices on the Government website Contracts Finder where the value is above their own quotation threshold. Over the relevant legal procurement threshold these must be advertised on the 'Find a Tender Service'.

The Local Government Transparency Code 2015 requires all contracts with a value of £5K and higher to be published. The Council meets this requirement and uploads all contracts to its internal Contract Management Application (CMA) to ensure it has oversight and governance on all procured contracts.

The Cabinet Office monitors potential breaches raised by suppliers via a Procurement Review Service (previously the Mystery Shopping Service). Procurement Review Service will contact public bodies to investigate any potential breach and ask for any evidence. The Procurement Review Service shall then make a ruling on the proposed course of action including any lessons for the future. The Council has not been subjected to any investigation by the Cabinet Office' Procurement Review Service for this period.

6. Procurement & Contract Management Training

One of the newest issues of bringing together 5 Councils will be the procurement & contract management culture of relevant services areas/directorates. In order to develop a new positive culture and ensure a high level of assurance the Procurement team provides training on several areas listed below. This level of training is above what most Councils provide.

6.1 An additional **190** training sessions have been attended in Q4 2021/22 bringing the cumulative total since 1st April 2020 to **1093**.

Summary no. of officers trained in Procurement/SRM training sessions 1st April 2020 – 31st March 2022

Training Courses	F/Y 20/21	F/Y 21/22
Understanding Procurement training	182	176
Pro-Contract e-Sourcing Tender portal training	91	66
Contract Management Development training	61	32
Contract Management Application (CMA) training	119	103
Modern Slavery in the Supply Chain training	108	90
Best Practice Self-Assessment training	44	21
Total	605	488

Table 2: Procurement & Contract Management Training Sessions

7. Data Tables

Summary of all Waivers registered during Q3 – Q4 2021/22

Summary FY 2021/22	Qtr. 3	Qtr. 4	Total
Total number of Waivers registered	10	20	30
Lowest value Waiver	£12,124	£4,826	£16,950
Highest value Waiver	*£13,606,899	£908,733	0
Total number of Waivers raised retrospectively	2	8	10

Total value of retrospective waivers	£71,014	£559,094	£630,108
Total value of all waivers processed	£15,174,748	£2,380,412	£17,555,160

Table 3: Summary of all Waivers registered during Q3 – Q4 2021/22

* The Aylesbury Grid Reinforcement project is part of the Housing Infrastructure Fund programme and is an approved scheme in the capital programme. The costs of the project of refunded from the Housing Infrastructure Fund via a claim to Homes England. The advice from external legal is that this falls under the Utilities Contracts Regulations 2016 and that we can rely on Regulation 34 as an exemption

Summary of all Waivers registered during Q3 – Q4 2021/22

Summary FY 2021/22	Qtr. 1	Qtr. 2	Qtr. 3	Qtr. 4	Total
Total no. of Waivers registered			10	20	30
Total no. of Waivers categorised as Low risk			8	17	25
Total no. of Waivers categorised as Medium risk			**1	3	4
Total no. of Waivers categorised as High risk			***1	0	1

Table 4: Summary of all Waivers registered during Q3 – Q4 2021/22

*Targeted Tier 2, and Specialist Tier 3, Child and Adolescent Mental Health Services - permissible under Reg 72 of PCR's - High value medium risk

** Routewise - Low value, implementation scheduled 18 months later than expected

Summary of all Waivers registered Q3 – Q4 FY 2021/22

Waivers to CPR's by Service Area Summary FY 2021/22	No. Low / Medium Risk	No. High Risk
A&H - Integrated Commissioning	4	
COMM - Leisure	1	
COMM - Libraries	1	
COMM - Licensing	1	
COMM - Sports, Leisure & Culture	1	
CS - Childrens Social Care	1	
CS - Education	1	
CS - Equalities & School Improvement	2	
CS - Integrated Commissioning	1	
DCE - Legal & Democratic Services	1	
PGS - Aylesbury Garden Town	2	
PGS - Business Improvement & Parking Services	1	
PGS - Economic Growth & Regeneration	2	
PGS - Estates	1	
PGS - Planning & Enforcement	1	

PGS – Planning & Environment	1	
PGS - Property & Assets	3	
PGS - Strategic Transport & Infrastructure	1	
PGS - Transport Strategy	1	
RES - HR & OD	2	
RES - HR Payroll	1	
RES - Ratings & Recovery	1	
RES - Revenues & Benefits	1	
Totals	32	

Table 5 - Waivers by Service Area

8. Procurement Legislation Changes

8.1 In May 2022 the Procurement Bill was published in Parliament. Whilst there will be no changes until mid-2023 at the earliest there will be some changes to definitions and processes, such as:

- Key principles which are to be followed through every procurement moving forward will be:
 - a. **Public good:** Supporting the delivery of strategic national priorities including economic, social, ethical, environmental interests and public safety.
 - b. **Value for money:** Enabling whole life blend of costs to be factored into the evaluation process.
 - c. **Transparency:** Accountability for spending public money, anti-corruption and effectiveness.
 - d. **Integrity:** Promoting good management, prevention of misconduct, fraud and corruption.
 - e. **Fair treatment of suppliers:** Ensuring impartial decision making without conflicts of interest.
 - f. **Non-discrimination:** Protecting suppliers from discriminatory behaviour by buyers.
- The current six procurement procedures (open, restricted, competitive dialogue, competitive procedure with negotiation, innovation partnership, competitive procedure without prior publication) will be reduced and replaced with three procedures:
 1. **Flexible procedure** that gives buyers the chance to design a procedure that suits the specific requirements of the contract (provided it adheres to the public procurement principles).
 2. **Open procedure** for simple off-the-shelf purchases
 3. **Limited tendering procedure** that buyers can use in certain circumstances, such as in a crisis or extreme urgency.

- Creation of a new dynamic purchasing system (Dynamic Markets) that may be used for all types of procurement (not just commonly used goods and services). This would replace DPS (dynamic purchasing system) and QS (qualification system).
- Framework agreements - new options including an 'open framework' with multiple joining points and a maximum term of 8 years
- Increased transparency requirements by adopting an Open contracting approach. Systematic gathering and publication of all information/documents in a usable form which covers all phases of a procurement.
- Requirement to disclose redacted evaluation documentation.
- Requirement to publish new contract notices for above threshold procurements. New requirement to publish contract amendment notices.
- A new exclusions framework will be provided, simplifying the current rules around mandatory and voluntary exclusions of suppliers. There will be a centrally-managed debarment list managed by a new Procurement Review Unit in the Cabinet Office
- The term MEAT (most economically advantageous tender) will be replaced by MAT (most advantageous tender) to reinforce the message that value for money is not the only consideration when deciding to whom to award a contract.

8.2 There will also be a change to healthcare related procurements that will be exempt from the main procurement rules but will follow a different supplier selection regime. There is limited information on this change currently. It should be note that this only applies to health, and not to social care.

9. Procurement GoAwards

9.1 The Procurement team were shortlisted for two awards last year and this year were shortlisted for the following four awards, which highlights the great work the team does for the Council:

- Procurement Team of the Year - Other Organisations.
- Best Procurement Delivery – Other Organisations.
- Continuous Improvement Award.
- Individual Achievement of the Year Award – Cael Sendell-Price.

Date	Items
28 July 22	<ol style="list-style-type: none"> 1. Action log 2. Appointments to the Risk Management Group Verbal Report 3. 20/21 Accounts Verbal Update 4. Treasury Management Annual Report 2021/2022 5. Annual Governance Statement Verbal Update 6. Internal Audit Charter 7. Work programme 8. 2022/23 Business Assurance Strategy (including Internal Audit Plan) 9. Business Assurance Strategy Update (Q1) 10. Contract Procedure Rules - Waivers & Breaches (part confidential) 11. 21/22 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential)
27 September 22	<ol style="list-style-type: none"> 1. Action log 2. Whistleblowing Policy 3. Anti-Fraud and Corruption Policy 4. Anti-Money Laundering Policy 5. Buckinghamshire Council Statement of Accounts 20/21 6. Farnham Park Sports Fields Charity Annual Report and Financial Statements 21/22 7. Higginson Park Trust Fund Accounts 21/22 8. 21/22 Annual Report of the Chief Internal Auditor 9. 22/23 Business Assurance Strategy Update 10. Audit Committee – Review of Effectiveness 11. Annual Governance Statement – Process 12. Risk Management Group Update 13. Work Programme 14. 22/23 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential) 15. 21/22 Annual Report of the Chief Internal Auditor - Summary of Completed Audits and Audit Action Tracker (confidential)

23 November 22	<ol style="list-style-type: none"> 1. Buckinghamshire Council Statement of Accounts 21/22 Update 2. Buckinghamshire Council Pension Fund Accounts 21/22 Update 3. Annual Business Continuity Management Update 4. Treasury management mid-year update 22/23 5. Risk and Business Continuity Management Strategy 6. Risk Management Group update 7. 2022/23 Business Assurance Strategy Update (incl. Internal Audit Plan) 8. Work programme 9. Action log 10. 22/23 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential)
1 February 23	<i>TBC</i>
29 March 23	<i>TBC</i>
10 May 23	<i>TBC</i>

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