

Democratic Services

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Date: 23 November 2015
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To: All Members of the Corporate Audit Committee

Councillors: Brian Simmons (Chair), Chris Dando, Andrew Furse, Barry Macrae and Christopher Pearce

Independent Member: John Barker

Chief Executive and other appropriate officers

Press and Public

Dear Member

Corporate Audit Committee: Tuesday, 8th December, 2015

You are invited to attend a meeting of the **Corporate Audit Committee**, to be held on **Tuesday, 8th December, 2015 at 2.00 pm** in the. **Kaposvar Room - Guildhall, Bath.**

The agenda is set out overleaf.

Yours sincerely



Sean O'Neill
for Chief Executive

If you need to access this agenda or any of the supporting reports in an alternative accessible format please contact Democratic Services or the relevant report author whose details are listed at the end of each report.

NOTES:

- 1. Inspection of Papers:** Any person wishing to inspect minutes, reports, or a list of the background papers relating to any item on this Agenda should contact Sean O'Neill who is available by telephoning Bath 01225 395090 or by calling at the Guildhall Bath (during normal office hours).
- 2. Public Speaking at Meetings:** The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group. Advance notice is required not less than two full working days before the meeting (this means that for meetings held on Wednesdays notice must be received in Democratic Services by 4.30pm the previous Friday)

The public may also ask a question to which a written answer will be given. Questions must be submitted in writing to Democratic Services at least two full working days in advance of the meeting (this means that for meetings held on Wednesdays, notice must be received in Democratic Services by 4.30pm the previous Friday). If an answer cannot be prepared in time for the meeting it will be sent out within five days afterwards. Further details of the scheme can be obtained by contacting Sean O'Neill as above.

- 3. Details of Decisions taken at this meeting** can be found in the minutes which will be published as soon as possible after the meeting, and also circulated with the agenda for the next meeting. In the meantime details can be obtained by contacting Sean O'Neill as above.

Appendices to reports are available for inspection as follows:-

Public Access points - Reception: Civic Centre - Keynsham, Guildhall - Bath, Hollies - Midsomer Norton, and Bath Central, Keynsham and Midsomer Norton public libraries.

For Councillors and Officers papers may be inspected via Political Group Research Assistants and Group Rooms/Members' Rooms.

- 4. Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control.

Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators.

To comply with the Data Protection Act 1998, we require the consent of parents or guardians before filming children or young people. For more information, please speak to the camera operator

The Council will broadcast the images and sound live via the internet www.bathnes.gov.uk/webcast An archived recording of the proceedings will also be available for viewing after the meeting. The Council may also use the images/sound recordings on its social media site or share with other organisations, such as broadcasters.

5. **Attendance Register:** Members should sign the Register which will be circulated at the meeting.
6. THE APPENDED SUPPORTING DOCUMENTS ARE IDENTIFIED BY AGENDA ITEM NUMBER.

7. Emergency Evacuation Procedure

When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are sign-posted.

Arrangements are in place for the safe evacuation of disabled people.

This Agenda and all accompanying reports are printed on recycled paper

Protocol for Decision-making

Guidance for Members when making decisions

When making decisions, the Cabinet/Committee must ensure it has regard only to relevant considerations and disregards those that are not material.

The Cabinet/Committee must ensure that it bears in mind the following legal duties when making its decisions:

- Equalities considerations
- Risk Management considerations
- Crime and Disorder considerations
- Sustainability considerations
- Natural Environment considerations
- Planning Act 2008 considerations
- Human Rights Act 1998 considerations
- Children Act 2004 considerations
- Public Health & Inequalities considerations

Whilst it is the responsibility of the report author and the Council's Monitoring Officer and Chief Financial Officer to assess the applicability of the legal requirements, decision makers should ensure they are satisfied that the information presented to them is consistent with and takes due regard of them.

Corporate Audit Committee - Tuesday, 8th December, 2015

at 2.00 pm in the Kaposvar Room - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

The Chair will draw attention to the emergency evacuation procedure as set out under Note 8.

2. ELECTION OF VICE-CHAIR

To elect a Vice-Chair (if required) for this meeting.

3. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

4. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to indicate:

(a) The agenda item number in which they have an interest to declare.

(b) The nature of their interest.

(c) Whether their interest is a **disclosable pecuniary interest** *or* an **other interest**, (as defined in Part 2, A and B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

5. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair will announce any items of urgent business.

6. ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

7. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

To deal with any petitions, statements or questions from Councillors and, where appropriate, co-opted and added Members.

8. MINUTES: 28TH SEPTEMBER 2015 (Pages 7 - 10)

9. TREASURY MANAGEMENT SIX-MONTH UPDATE REPORT (Pages 11 - 24)

10. INTERNAL AUDIT SIX-MONTH PERFORMANCE REPORT (Pages 25 - 32)

11. DRAFT AUDIT PLAN METHODOLOGY (Pages 33 - 40)
12. FRAUD AND CORRUPTION UPDATE (Pages 41 - 62)
13. EXTERNAL AUDIT UPDATE (Pages 63 - 90)

The Committee Administrator for this meeting is Sean O'Neill who can be contacted on 01225 395090.

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Monday, 28th September, 2015, 5.30 pm

Councillors: Brian Simmons (Chair), Chris Dando, Barry Macrae and Christopher Pearce

Independent Member: John Barker

Officers in attendance: Tim Richens (Divisional Director- Business Support), Jeff Wring (Head of Audit West), Andy Cox (Audit Manager), Richard Howroyd (Head of Strategic Procurement & Commissioning) and Gary Adams (Finance and Resources Manager)

Guests in attendance: Barrie Morris (Grant Thornton) and Kevin Henderson (Grant Thornton)

52 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the procedure.

53 ELECTION OF VICE-CHAIR

RESOLVED that a Vice-Chair was not required on this occasion.

54 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Andrew Furse

55 DECLARATIONS OF INTEREST

There were none.

56 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

57 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

58 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

59 MINUTES: 26TH MARCH 2015

These were approved as a correct record and signed by the Chair.

60 GOVERNANCE REPORTS FOR COUNCIL AND AVON PENSION FUND, AND AUDITED STATEMENT OF ACCOUNTS 2014/15

The Divisional Director – Business Support introduced the report.

Mr Morris commented on the Audit Findings Reports for Bath and North East Somerset Council. He said that there were no issues that impacted on the audit overall opinion. He thanked Council officers for working constructively with the auditors and responding willingly and ably to their enquiries.

Only one issue remained outstanding from those raised in the previous year: the introduction of a procedure to ensure that the IT department is informed of all leavers at the earliest opportunity (agenda page 39).

Mr Henderson commented on the Value for Money conclusion. He said that strategic financial planning was currently rated as amber, because the medium term financial plan (MFTP) did not extend beyond 2015/2016. The auditors were aware of the significant work that had been done to develop a MFTP for the next three years, and the rating would change to green after the new MFTP had been approved by Council in February 2016.

Mr Morris commented on the Avon Pension Fund Audit Findings Report, which had been presented to the Avon Pension Fund Committee the previous Friday. He drew attention to item 3 on page 69, the qualification of the accounts of the Gottex Value Added Fund in relation to a specific fund in which the Avon Pension Fund was not invested.

One issue relating to internal controls was indicated on agenda page 76, with a recommendation that the Council should consider separating the Avon Pension Fund within the Agresso ledger system to allow separate identification of Pension Fund transactions and balances. The Chair suggested that there would be a cost for this and that it would fall on the Pension Fund. Mr Morris confirmed that there would be a cost; from the auditors' perspective it was a matter of what workaround could be put in place.

The Committee thanked officers for their robust administration of the Council's finances.

RESOLVED:

1. To note the issues within the Audit Findings Report for Council and the Avon Pension Fund.
2. To approve the audited Statement of Accounts, including the letter of representation, for Bath and North East Somerset Council for 2014/2015.

61 TREASURY MANAGEMENT OUTTURN 2014/15

The Divisional Director – Business Support presented the report. He said that because the rates of investment return remained low, the investment programme had continued to be funded from cash flow, with the result that the Council's total borrowing as at 31 March 2015 was almost £70m below the Capital Financing Requirement of £177m. Borrowing had been undertaken to maintain cash flow.

A Member asked about the benefit to the Authority of the repayment of Public Works Loan Board debt. The Divisional Director – Business Support replied that the Council's PWLB debt portfolio had been reviewed. As interest rates were low, cash deposits were earning only a small return, so it had been decided to repay £50m of debt, which had saved the Council about £1m. It was likely that interest rates would remain at their current historically low level for the foreseeable future.

In response to a question from a Member, he explained that most of the funds, and all of the capital grants, of the Local Enterprise Partnership were administered by Bath and North East Somerset Council.

RESOLVED:

1. To note the Treasury Management Report to 31st March.
2. To note the 2014/15 Treasury Management Indicators.

62 REVISIONS TO KEY FINANCIAL AND CORPORATE GOVERNANCE RULES AND REGULATIONS

The Head of Audit West summarised the report.

The Head of Strategic Procurement and Commissioning commented on the revised Financial Rules and Regulations and Contract Standing Orders.

Responding to a question from a Member, the Divisional Director – Business Support said all the financial rules and regulations would be accessible on the Council's intranet so that officers would easily be able to refer to them.

The Corporate Finance Manager commented on the Budget Management Scheme.

RESOLVED to recommend the revised Contract Standing Orders and Budget Management Scheme to Council for approval.

63 COMMITTEE WORK PLAN

The Head of Audit West presented the report.

Members discussed the proposed workplan.

A Member suggested that an update on the Audit Partnership should be a regular item on agendas.

It was agreed to experiment with a start time for meetings of 2pm, with effect from the 8 December 2015 meeting.

RESOLVED to agree the proposed work plan.

The meeting ended at 6.40 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

Bath & North East Somerset Council	
MEETING:	Corporate Audit Committee
MEETING DATE:	8th December 2015
TITLE:	Treasury Management Monitoring Report to 30th September 2015
WARD:	All
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Performance Against Prudential Indicators Appendix 2 – The Council’s Investment Position at 30th September 2015 Appendix 3 – Average monthly rate of return for 1st 6 months of 2015/16 Appendix 4 – The Council’s External Borrowing Position at 30th September 2015 Appendix 5 – Arlingclose’s Economic & Market Review of first six months of 2015/16 Appendix 6 – Interest & Capital Financing Budget Monitoring 2015/16 Appendix 7 – Summary Guide to Credit Ratings</p>	

THE ISSUE

1.1 In February 2012 the Council adopted the 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice, which requires the Council to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and approve an annual report after the end of each financial year.

1.2 This report gives details of performance against the Council’s Treasury Management Strategy and Annual Investment Plan 2015/16 for the first six months of 2015/16.

RECOMMENDATION

The Audit Committee agrees that:

1.3 the Treasury Management Report to 30th September 2015, prepared in accordance with the CIPFA Treasury Code of Practice, is noted

1.4 the Treasury Management Indicators to 30th September 2015 are noted.

2 RESOURCE IMPLICATIONS

3.1 The financial implications are contained within the body of the report.

STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL

2.1 This report is for information only.

THE REPORT

Summary

2.2 The average rate of investment return for the first six months of 2015/16 is 0.47%, which is 0.06% above the benchmark rate.

2.3 The Council's Prudential Indicators for 2015/16 were agreed by Council in February 2015 and performance against the key indicators is shown in **Appendix 1**. All indicators are within target levels.

Summary of Returns

2.4 The Council's investment position as at 30th September 2015 is given in **Appendix 2**. The balance of deposits as at 30th June 2015 and 30th September 2015 are also set out in the pie charts in this appendix.

2.5 The Council is the accountable body for the West of England Revolving Investment Fund (RIF) and received grant funding of £57 million at the end of the 2011/12 financial year. The Council acts as an agent and holds these funds on behalf of the West of England Local Enterprise Partnership until they are allocated in the form of repayable grants to the constituent Local Authorities to meet approved infrastructure costs. Since these funds are invested separately from the Council's cash balances and have been placed short term with the Debt Management Office and other Local Authorities, they are excluded from all figures given in this report. The value of the fund as at 30th September 2015 is £37.6 million (£40.0m as at 30th June 2015).

2.6 Gross interest earned on investments for the first six months totalled £153k. Net interest, after deduction of amounts due to Schools, the West of England Growth Points, CHC and other internal balances, is £103k. **Appendix 3** details the investment performance, showing the average rate of interest earned over this period was 0.47%, which was 0.06% above the benchmark rate of average 7 day LIBID +0.05% (0.41%).

2.7 The Council also currently holds £16.5m of Local Growth Fund grant as part of its balances. Interest earned from this is ringfenced to fund administration costs, and this interest is therefore excluded from the figures quoted above.

Summary of Borrowings

2.8 No new borrowing has taken place during 2015/16. The Council's Capital Financing Requirement (CFR) as at 31st March 2015 was £177 million with a projected total of £219 million by the end of 2015/16 based on the capital programme approved at February 2015 Council. This represents the Council's underlying need to borrow to finance capital expenditure, and demonstrates that the borrowing taken to date relates to funding historical capital spend.

2.9 Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment, for which there is a provision in the Council's revenue budget. The amount of residual debt outstanding as at 31st March 2015 apportioned to Bath & North East Somerset Council is £13.95m. Since this borrowing is managed by Bristol City Council and treated in the Council's Statement of Accounts as a deferred liability, it is not included in the borrowing figures referred to in paragraph 5.6.

2.10 The borrowing portfolio as at 30th September 2015 is shown in **Appendix 4**.

Strategic & Tactical Decisions

2.11 As shown in the charts at **Appendix 2**, the investment portfolio has been diversified across UK Banks and Building Societies and very highly rated Foreign Banks. The Council also uses AAA rated Money Market funds to maintain very short term liquidity.

2.12 The Council continues to not hold any direct investments with banks in countries within the Eurozone reflecting both on the underlying debt issues in some Eurozone countries and the low levels of interest rates. The Council's investment counterparty list does not currently include any banks from Portugal, Ireland, Greece, Spain and Italy.

2.13 The Council's average investment return is in line with the budgeted level of 0.45%.

Future Strategic & Tactical Issues

2.14 Our treasury management advisors economic and market review for the second quarter 2015/16 is included in **Appendix 5**.

2.15 The Bank of England base rate has remained constant at 0.50% since March 2009. In the opinion of the Council's treasury advisors, Arlingclose, there will not be a rate rise until Q2 2016.

2.16 The benefits of the Council's current policy of internal borrowing are monitored regularly against the likelihood that long term borrowing rates are forecast to rise in future years. The focus is now on the rate of increase and the medium-term peak and, in this respect, the current forecast remains that rates will rise slowly and to a lower level than in the past.

Budget Implications

2.17 A breakdown of the revenue budget for interest and capital financing and the forecast year end position based on the period April to September is included in **Appendix 6**. This is currently forecast to be on target for 2015/16.

2.18 This position will be kept under review during the remainder of the year, taking into account the Council's cash-flow position and the timing of any new borrowing required.

RATIONALE

2.19 The Prudential Code and CIPFA’s Code of Practice on Treasury Management requires regular monitoring and reporting of Treasury Management activities.

OTHER OPTIONS CONSIDERED

2.20 None.

CONSULTATION

2.21 Consultation has been carried out with the Cabinet Member for Community Resources, Section 151 Finance Officer and Monitoring Officer.

2.22 Consultation was carried out via e-mail.

RISK MANAGEMENT

2.23 The Council’s lending & borrowing list is regularly reviewed during the financial year and credit ratings are monitored throughout the year. All lending/borrowing transactions are within approved limits and with approved institutions. Investment and Borrowing advice is provided by our Treasury Management consultants Arlingclose.

2.24 The CIPFA Treasury Management in the Public Services: Code of Practice requires the Council nominate a committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The Corporate Audit Committee carries out this scrutiny.

2.25 In addition, the Council maintain a risk register for Treasury Management activities, which is regularly reviewed and updated where applicable during the year.

Contact person	<i>Tim Richens - 01225 477468 ; Jamie Whittard - 01225 477213</i> Tim.Richens@bathnes.gov.uk Jamie.Whittard@bathnes.gov.uk
Background papers	<i>2015/16 Treasury Management & Investment Strategy</i>
Please contact the report author if you need to access this report in an alternative format	

APPENDIX 1

Performance against Treasury Management Indicators agreed in Treasury Management Strategy Statement

1. Authorised limit for external debt

These limits include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over & above the operational limit for unusual cash movements.

	2015/16 Prudential Indicator	2015/16 Actual as at 30th Sept. 2015
	£'000	£'000
Borrowing	219,000	108,300
Other long term liabilities	2,000	0
Cumulative Total	221,000	108,300

2. Operational limit for external debt

The operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements.

	2015/16 Prudential Indicator	2015/16 Actual as at 30th Sept. 2015
	£'000	£'000
Borrowing	182,000	108,300
Other long term liabilities	2,000	0
Cumulative Total	184,000	108,300

3. Upper limit for fixed interest rate exposure

This is the maximum amount of total borrowing which can be at fixed interest rate, less any investments for a period greater than 12 months which has a fixed interest rate.

	2015/16 Prudential Indicator	2015/16 Actual as at 30th Sept. 2015
	£'000	£'000
Fixed interest rate exposure	182,000	88,300*

* The £20m of LOBO's are quoted as variable rate in this analysis as the Lender has the option to change the rate at 6 monthly intervals (the Council has the option to repay the loan should the Lender exercise this option to increase the rate).

4. Upper limit for variable interest rate exposure

While fixed rate borrowing contributes significantly to reducing uncertainty surrounding interest rate changes, the pursuit of optimum performance levels may justify keeping flexibility through the use of variable interest rates. This is the maximum amount of total borrowing which can be at variable interest rates.

	2015/16 Prudential Indicator	2015/16 Actual as at 30th Sept. 2015
	£'000	£'000
Variable interest rate exposure	104,000	20,000

5. Upper limit for total principal sums invested for over 364 days

This is the maximum amount of total investments which can be over 364 days. 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.

	2015/16 Prudential Indicator	2015/16 Actual as at 30th Sept. 2015
	£'000	£'000
Investments over 364 days	50,000	0

6. Maturity Structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk.

	Upper Limit	Lower Limit	2015/16 Actual as at 30th Sept. 2015
	%	%	%
Under 12 months	50	Nil	28*
12 months and within 24 months	75	Nil	7
24 months and within 5 years	75	Nil	9
5 years and within 10 years	100	Nil	0
10 years and above	100	Nil	56

* The CIPFA Treasury management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date (which are at 6 monthly intervals for the £20m of LOBO's). However, the Council would only consider repaying these loans if the Lenders exercised their options to alter the interest rate.

7. Average Credit Rating

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the weighted average credit rating of its investment portfolio. A summary guide to credit ratings is set out at **Appendix 7**.

	2015/16 Prudential Indicator	2015/16 Actual as at 30th Sept. 2015
	Rating	Rating
Minimum Portfolio Average Credit Rating	A-	AA-

APPENDIX 2

The Council's Investment position at 30th September 2015

The term of investments, from the original date of the deal, are as follows:

	Balance at 30th September 2015
	£'000's
Notice (instant access funds)	20,600
Up to 1 month	28,462
1 month to 3 months	10,000
Over 3 months	5,000
Total	64,062

The investment figure of £64.062 million is made up as follows:

	Balance at 30th September 2015
	£'000's
B&NES Council	30,484
B&NES CHC	9,572
West Of England Growth Points	133
Local Growth Fund	16,462
Schools	7,411
Total	64,062

The Council had a total average net positive balance of £65.3m during the period April 2015 to September 2015.

Chart 1: Council Investments (£64.1m) as at 30th September 2015

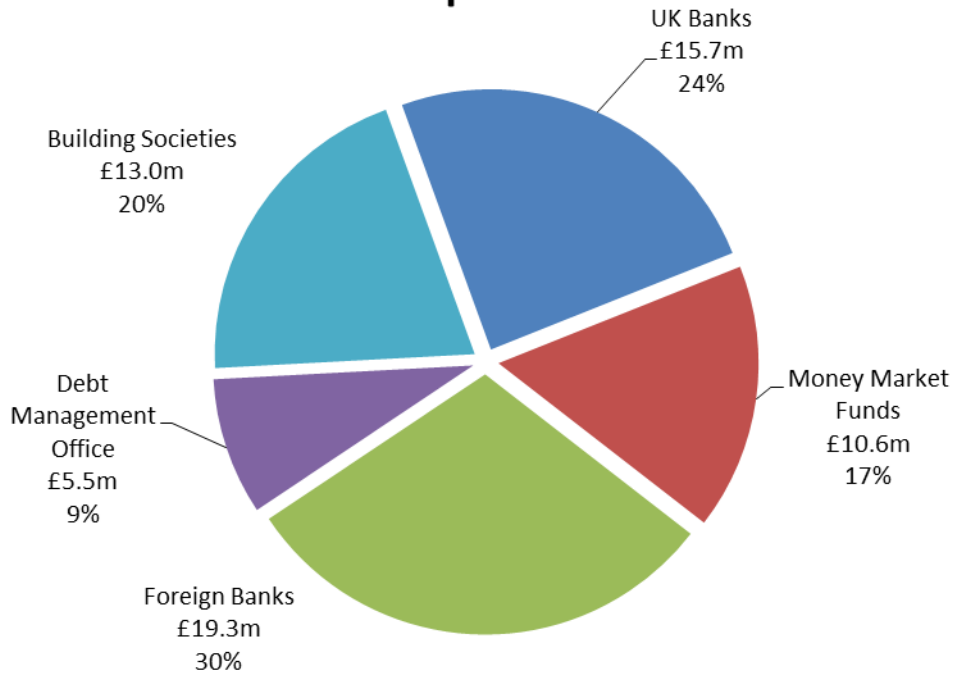


Chart 2: Council Investments (£58.9m) as at 30th June 2015

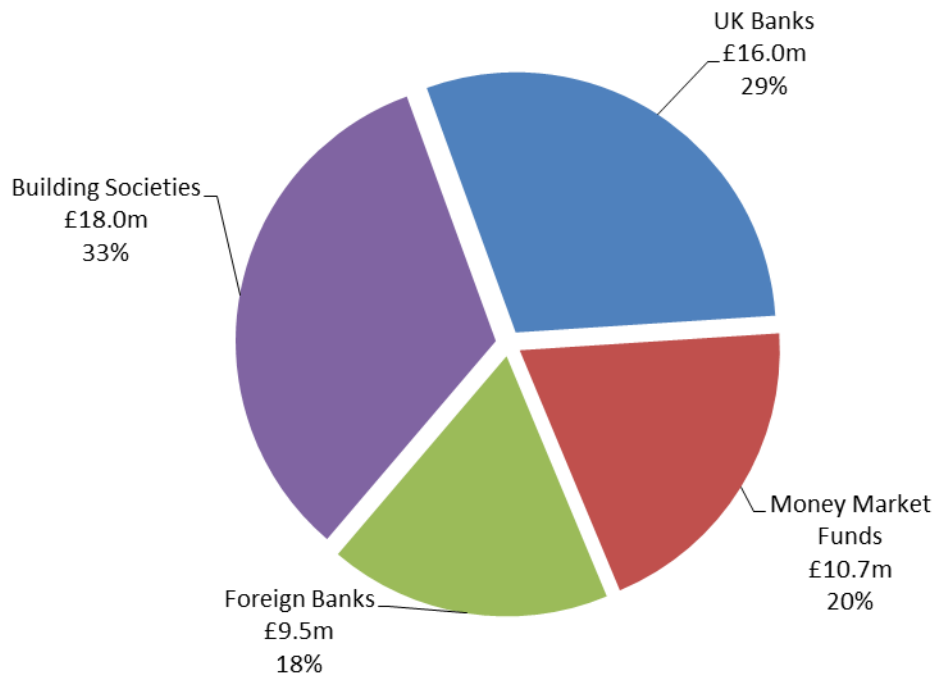


Chart 3: Council Investments per Lowest Equivalent Long-term Credit Ratings (£64.1m) 30th September 2015

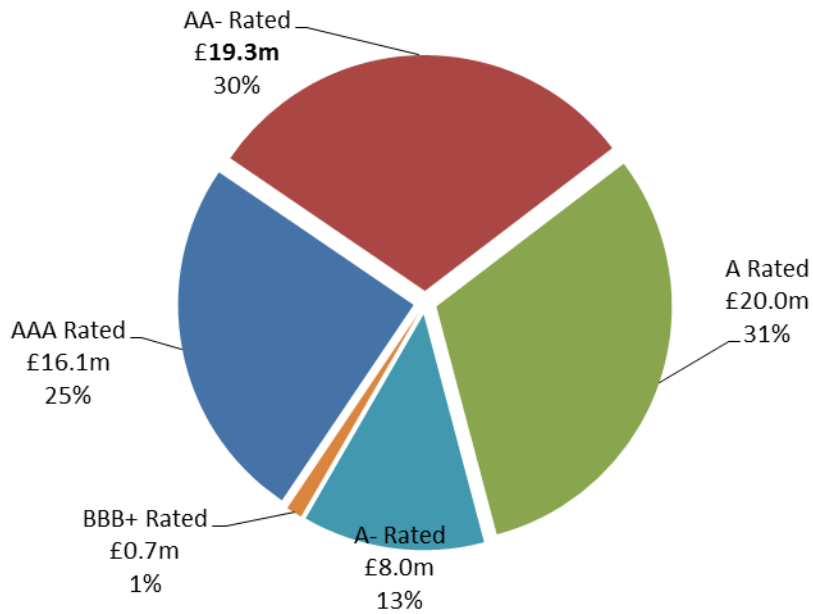
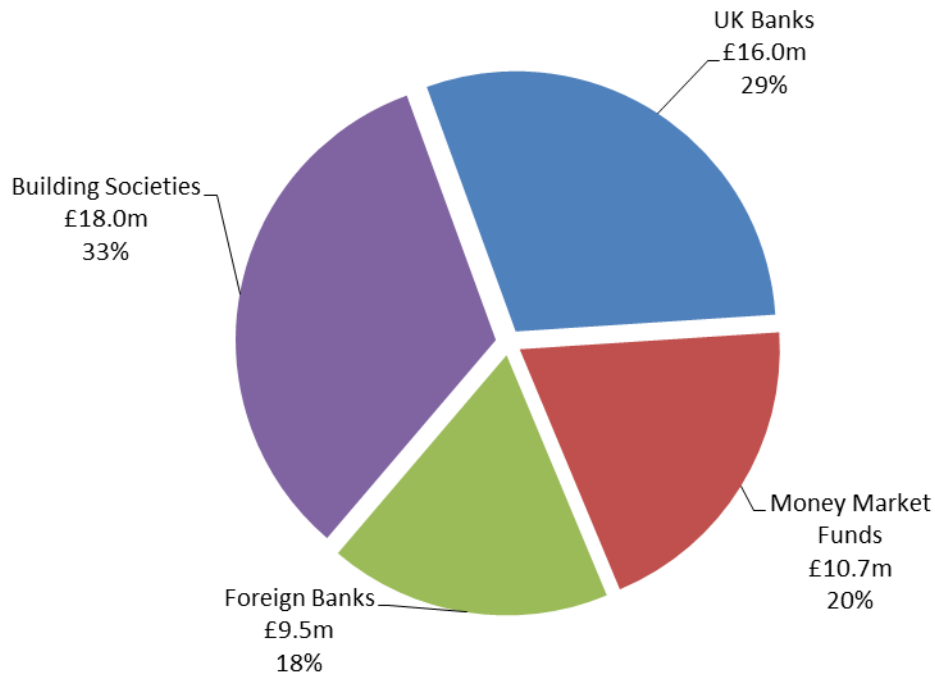


Chart 2: Council Investments (£58.9m) as at 30th June 2015



APPENDIX 3

Average rate of return on investments for 2015/16

	April %	May %	June %	July %	Aug. %	Sept. %	Average for Period
Average rate of interest earned	0.45%	0.46%	0.48%	0.48%	0.47%	0.48%	0.47%
Benchmark = Average 7 Day LIBID rate +0.05% (source: Arlingclose)	0.40%	0.41%	0.41%	0.41%	0.41%	0.41%	0.41%
Performance against Benchmark %	+0.05%	+0.05%	+0.07%	+0.07%	+0.06%	+0.07%	+0.06%

APPENDIX 4

Councils External Borrowing at 30th September 2015

LONG TERM	Amount	Start Date	Maturity Date	Interest Rate
PWLB	10,000,000	15/10/04	15/10/35	4.75%
PWLB	5,000,000	12/05/10	15/08/35	4.55%
PWLB	5,000,000	12/05/10	15/08/60	4.53%
PWLB	5,000,000	05/08/11	15/02/31	4.86%
PWLB	10,000,000	05/08/11	15/08/29	4.80%
PWLB	15,000,000	05/08/11	15/02/61	4.96%
PWLB	5,300,000	29/01/15	15/08/29	2.62%
PWLB	5,000,000	29/01/15	15/02/61	2.92%
KBC Bank N.V*	5,000,000	08/10/04	08/10/54	4.50%
KBC Bank N.V*	5,000,000	08/10/04	08/10/54	4.50%
Eurohypo Bank*	10,000,000	27/04/05	27/04/55	4.50%
West Midland Police Authority	5,000,000	08/10/14	10/10/16	1.10%
Portsmouth City Council	3,000,000	15/10/14	17/10/16	1.08%
Wirral Metropolitan Borough Council	5,000,000	07/11/14	06/11/15	0.65%
Gloucestershire County Council	5,000,000	25/11/14	25/11/19	2.05%
Derbyshire County Council	5,000,000	28/11/14	27/11/15	0.65%
Gloucestershire County Council	5,000,000	19/12/14	19/12/19	2.05%
TOTAL	108,300,000			
TEMPORARY	Nil			
TOTAL	108,300,000			3.64%

*All LOBO's (Lender Option / Borrower Option) have reached the end of their fixed interest period and have reverted to the variable rate of 4.50%. The lender has the option to change the interest rate at 6 monthly intervals. Should the lender use the option to change the rate, then at this point the borrower has the option to repay the loan without penalty.

APPENDIX 5

Economic and market review for April to September 2015 (provided by Arlingclose)

On 12th July, following a weekend European Union Summit, it was announced that the terms for a third bailout of Greece had been reached. The deal amounting to €86 billion was agreed under the terms that Greece would see tax increases, pension reforms and privatisations; the very reforms Tsipras had vowed to resist. This U-turn saw a revolt within the ruling Syriza party and on 27th August, Alexis Tsipras resigned from his post as Prime Minister of Greece after just eight months in office by calling a snap election, held on 20th September. This gamble paid off as Tsipras led his party to victory once again, although a coalition with the Independent Greeks was needed for a slim parliamentary majority. That government must now continue with the unenviable task of guiding Greece through the continuing economic crisis – the Greek saga is far from over.

The summer also saw attention shift towards China as the Shanghai composite index (representing China's main stock market), which had risen a staggering 50%+ since the beginning of 2015, dropped by 43% in less than three months with a reported \$3.2 trillion loss to investors, on the back of concerns over growth and after regulators clamped down on margin lending activity in an effort to stop investors borrowing to invest and feeding the stock market bubble. Chinese authorities intensified their intervention in the markets by halting trading in many stocks in an attempt to maintain market confidence. They surprised global markets in August as the People's Bank of China changed the way the yuan is fixed each day against the US dollar and allowed an aggressive devaluation of the currency. This sent jitters through Asian, European and US markets impacting currencies, equities, commodities, oil and metals. On 24th August, Chinese stocks suffered their steepest one-day fall on record, driving down other equity markets around the world and soon becoming known as another 'Black Monday'. Chinese stocks have recovered marginally since and are trading around the same level as the start of the year. Concerns remain about slowing growth and potential deflationary effects.

UK Economy: The economy remained resilient over the quarter. GDP has now increased for nine consecutive quarters, breaking a pattern of slow and erratic growth from 2009. The annual rate for consumer price inflation (CPI) briefly turned negative in April, falling to -0.1%, before returning to 0.1%. In the May Quarterly Inflation Report, the Bank of England expected inflation to hover around zero in the near-term as falls in energy and food prices remained in the annual data series for now. The Bank was sanguine that that negative inflation would prove temporary without any damaging consequences for the UK economy. Further improvement in the labour market saw the ILO unemployment rate for March fall to 5.5% of the economically active population. Average earnings excluding bonuses rose 2.2% year/year.

The outcome of the UK general election, largely fought over the parties' approach to dealing with the consequences of the structural deficit and the pace of its removal, saw some very big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics.

The US economy slowed to 0.6% in Q1 2015 due to bad weather, spending cuts by energy firms and the effects of a strong dollar. However, Q2 GDP showed a large improvement at a twice-revised 3.9% (annualised). This was largely due to a broad recovery in corporate investment alongside a stronger performance from consumer and government spending and construction and exports. With the Fed's decision on US interest rate dependent upon data, GDP is clearly supportive. However it is not as simple as that and the Fed are keen to see inflation rise alongside its headline economic growth

and also its labour markets. The Committee decided not to act at its September meeting as many had been anticipating but have signalled rates rising before the end of the year.

Market reaction: Equity markets initially reacted positively to the pickup in the expectations of global economic conditions, but were tempered by the breakdown of creditor negotiations in Greece. China led stock market turmoil around the globe in August, with the FTSE 100 falling by around 8% overnight on 'Black Monday'. Indices have not recovered to their previous levels but some improvement has been seen. Government bond markets were quite volatile with yields rising (i.e. prices falling) initially as the risks of deflation seemingly abated. Thereafter yields fell on the outcome of the UK general election and assisted by reappraisal of deflationary factors, before rising again. Concerns around China saw bond yields dropping again through August and September. Bond markets were also distorted by the size of the European Central Bank's QE programme, so large that it created illiquidity in the very markets in which it needed to acquire these bonds, notably German government bonds (bunds) where yields were in negative territory.

APPENDIX 6

Interest & Capital Financing Costs – Budget Monitoring 2015/16 (April to September)

April to September 2015	YEAR END FORECAST			ADV/FAV
	Budgeted Spend or (Income) £'000	Forecast Spend or (Income) £'000	Forecast over or (under) spend £'000	
Interest & Capital Financing				
- Debt Costs	4,589	4,589	0	
- Internal Repayment of Loan Charges	(9,281)	(9,281)	0	
- Ex Avon Debt Costs	1,340	1,340	0	
- Minimum Revenue Provision (MRP)	6,559	6,559	0	
- Interest on Balances	(199)	(199)	0	
Sub Total - Capital Financing	3,008	3,008	0	

APPENDIX 7

Summary Guide to Credit Ratings

Rating	Details
AAA	Highest credit quality – lowest expectation of default, which is unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality - expectation of very low default risk, which is not likely to be significantly vulnerable to foreseeable events.
A	High credit quality - expectations of low default risk which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality - expectations of default risk are currently low but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative - indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative - indicates that material default risk is present, but a limited margin of safety remains. Capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial credit risk - default is a real possibility.
CC	Very high levels of credit risk - default of some kind appears probable.
C	Exceptionally high levels of credit risk - default is imminent or inevitable.
RD	Restricted default - indicates an issuer that has experienced payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, and which has not otherwise ceased operating.
D	Default - indicate an issuer that has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	8th December 2015	AGENDA ITEM NUMBER
TITLE:	Internal Audit Annual Plan (2015/16) – Six Month Performance Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1- Audit Plan Position Statement (as at 30th September 2015)		

1 THE ISSUE

1.1 The Annual Internal Audit Plan for 2015/16 was presented to the Corporate Audit Committee on the 26th March 2015. This report has been compiled to provide an update to the Committee on progress against the Plan and the results of Internal Audit work completed.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to note progress made against the Internal Audit Plan for 2015/16.

3 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications relevant to this report.

4 THE REPORT

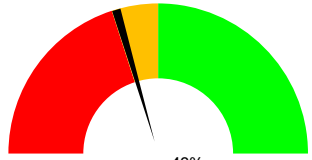
4.1 The chart overleaf shows that as at halfway through the year:

- Overall delivery of the plan is on the lower end of the target for Q2;
- Audit Reviews are broadly being completed within their allocated days;
- Customers have rated the service as either 'good' or 'excellent';
- The majority of Critical and High level recommendations have been implemented within the timescale agreed by management;
- State of the Internal Control framework is positive based on our audit opinions;
- Unplanned work is currently over the planned contingency.

B&NES Audit & Risk Dashboard April 1st - 30th September 2015/16

Internal Audit

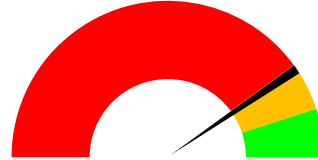
Annual Audit Plan Completed



40%

Green Target => 90% of pro rata plan
Amber Target => 80% of pro rata plan

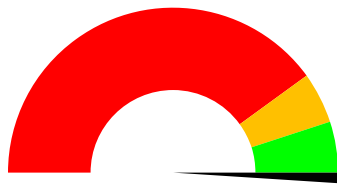
Audit Reviews Completed in Assigned Days



80%

Green Target = >90%
Amber Target = >80%

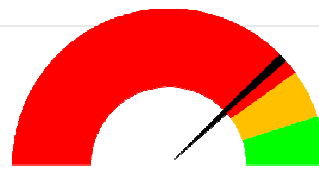
Customer Satisfaction - Good or Excellent



100%

Green Target = >90%
Amber Target = >80%

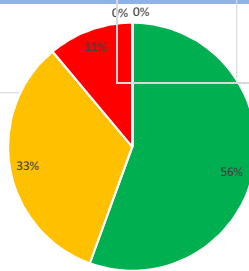
Recommendations (Critical / High) Implemented by Follow Up



78%

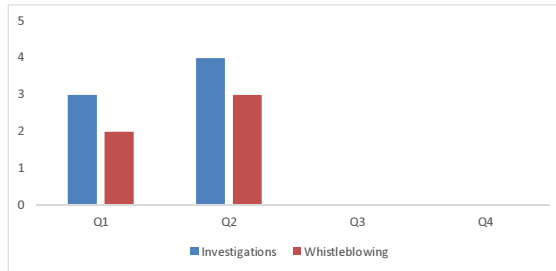
Green Target = >90%
Amber Target = >80%

Assurance Level Provided

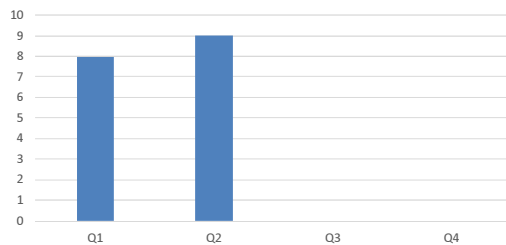


- Excellent
- Good
- Adequate
- Weak
- Poor

Investigations & Whistleblowing



Unplanned Audits



Equating to 72 Audit Days

4.2 COMPLETION OF THE INTERNAL AUDIT PLAN

- 4.2.1 The performance dashboard shows that at the half-way point of the year, 40% of the plan is substantially completed. This includes work that is either finalised, at reporting stage, or at the end of fieldwork.
- 4.2.2 The adoption of standard working processes across the partnership and completing single reviews where possible has helped to achieve this position.
- 4.2.3 There are a number of reasons for not achieving 50% of the plan at the financial year half way point:

Level of Unplanned Work. The Internal Audit Partnership with North Somerset Council formally commenced on 1st August 2015. More time than expected had to be spent by members of the Internal Audit Team to manage the integration of the North Somerset team to Audit West. In addition, work had to be carried out on preparing for a new 'Financial Assessments' service. Audit West will be carrying out financial assessments for new contracts to be awarded and continuing contracts of significant value.

Resources. South West Audit Partnership (SWAP) have experienced a number of staffing issues, e.g. long term sick leave, that has meant they have not been able to provide the resources necessary to complete a number of IT audits. We are currently looking at alternative options to complete the outstanding IT Audits and we have re-allocated non-IT audit reviews to SWAP for them to carry out during the final two quarters of the year.

- 4.2.4 Work to complete the Annual Audit Plan is continuing and we have commenced a recruitment process so sufficient resources are available to carry out the planned audit reviews. This recruitment process will be used to fill a vacancy left by an experienced member of the team who left the Council's employment to join the Nationwide Bank at the end of November. Although we started the recruitment process promptly it is likely that the start date for any new member of staff will be February at the earliest.
- 4.2.5 Appendix 1 records reviews finalised, drafted or 'Work-In-Progress' in this financial year to the end of September 2015. This records that 12 Audit Reports have been finalised / completed, another 5 were in 'draft' form and another 10 audits were 'Work-In-Progress'.

4.3 AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS

- 4.3.1 The percentage of audits (included in 2015/16 Plan) completed within the initial allocated days is recorded at 80%. The 2 audits which exceeded days assigned required more time to complete the agreed scope and Audit Management agreed the additional days required to complete the necessary work.

4.4 CUSTOMER SERVICE

4.4.1 The ethos of the partnership is around providing quality and adding value, therefore the 'Customer Satisfaction' Performance Indicator is particularly important. The completed and returned Quality Assurance Feedback Forms evidence high levels of satisfaction in the work being carried out. The Feedback Form provides the option of providing general comments about the work carried out. Audit Management do discuss the results and any comments with the relevant member of staff. A number of comments made are recorded below:

"All the Drainage & Flooding Team involved in the audit process, felt the auditor was engaged and suitably informed, giving a welcome new perspective on their work. A very worthwhile exercise."

"A very productive and helpful audit in terms of

- a) the actual work carried out
- b) the learning from it which both influenced and supported new developments
- c) the follow-up contact and review of recommendations as a QA mechanism."

4.5 IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS

4.5.1 The dashboard records the implementation of critical / high risk rated recommendations at the time the audit was 'Followed-Up' at 78%. Of the 7 audits 'Followed-Up' during the first half of the financial year, 5 had critical / high risk rated weaknesses / recommendations. For 3 of the 5 audits all critical / high recommendations were implemented.

4.5.2 There were therefore two audits (IT Procurement & Property Decision Making) where the 'Follow-Up' identified that a single high risk recommendation had not been implemented. The management response, agreeing to a revised implementation date was acceptable and the relevant Divisional Director was informed so implementation could be monitored.

4.5.3 It should also be noted that 100% of audit recommendations proposed within our reviews during the year to date have been accepted and agreed by the respective service managers.

4.6 INVESTIGATIONS/ WHISTLEBLOWING

4.6.1 During the first half of 2015/16 the service has been involved in four investigations. Two of these were longstanding police referral cases and this has involved providing support as and when necessary. The two other cases required different levels of support. One went to a formal disciplinary hearing.

4.6.2 The investigations have identified a breakdown of the system of internal control for certain specific areas however there are not any systemic issues affecting the Council's framework of internal controls and governance. Action has been taken to correct any control weaknesses identified during our work.

4.7 ASSURANCE LEVEL PROVIDED

4.7.1 In 2015/16 (to the end of September) 89% of 'Final' Audit Reports issued have an audit opinion of satisfactory to excellent (between Assurance Levels 3 and 5). A single audit, Heritage Income & Ticketing System, accounted for the balancing 11%, and this was allocated Assurance Level 2 'Weak Control Framework'.

4.7.2 The Heritage audit focussed on project management (implementation) and security of the Galaxy IT System. The focus on system implementation was informed by the knowledge of delays in implementation and the objective of improving practices for the next phase of the system implementation. The significant weaknesses were recorded as:

- a) The Business Continuity Plan (including the till system) had not been updated.
- b) The terms and conditions of the contract with the software supplier were not sufficiently detailed to provide assurance that the system would be recovered sufficiently quickly in the event of a business critical disaster
- c) Evidence was not maintained to verify that the system was being backed up by the software supplier.
- d) Too many users had full system access.
- e) Reports on the effectiveness of network security including the firewall were not being received.
- f) Monitoring of the project timetable and review of risks was not on-going.
- g) The latest version of antivirus software was on all terminals on the network.

Senior management agreed to implement all the recommendations by 31 December 2015. The Audit and its recommendations will be followed up in the final quarter of 2015/16.

4.8 UNPLANNED AUDITS / WORK

4.8.1 Nine pieces of unplanned work have required Internal Audit time over the 6 month period. This included the four investigations referred to in para 4.6.1. We have also responded to requests for help and assistance – e.g. 8 days were spent working on cases referred by colleagues supporting the West of England Local Enterprise Partnership Growth Fund. B&NES Council is the lead Authority and the Audit Team provided independent advice on claims submitted by those awarded Growth Fund monies.

4.8.2 The total amount of time spent on unplanned work was 72 days. The partnership recognises the importance and value to management of being able to respond to these types of requests and thus ensures that contingency is built into resources so that we can be flexible to needs.

4.9 JOINT WORKING WITH NORTH SOMERSET COUNCIL

4.9.1 The Committee has been regularly updated on the joint working arrangements between Bath and North East Somerset Council and North Somerset Council Internal Audit Services.

4.9.2 A formal proposal was made to the Executive of each council to create a formal partnership for the provision of its Audit & Assurance function and this was endorsed in December 2014.

4.9.3 The new arrangements formally commenced on the 1st August 2015 under a five year contract, with Bath & North East Somerset acting as host authority for the new 'Audit West' and all officers employed by B&NES in a single integrated structure.

4.9.4 As part of a formal process the seven existing employees from the North Somerset Internal Audit Team were transferred under TUPE to B&NES on the 1st August 2015.

4.9.5 In October 2015, the transferred staff from North Somerset were combined into a new structure encompassing the existing Bath & North East Somerset team as well as setting up the new 'Audit West' operating model to meet future expectations and demands under its contractual obligations.

4.9.6 This process has been challenging for all staff as everyone's role has effectively changed, with new expectations and demands placed upon everyone. The response has however been very positive with limited impact on performance and seven members of staff have been formally appointed to key roles within the new structure.

4.10 NON-CORE SERVICES

4.10.1 In addition to delivering the Audit and Assurance Plan, the partnership continues to provide a range of other functions which are not part of the core delivery of services to North Somerset Council.

4.10.2 This also means there has been an increased focus on chargeable work as this delivers the additional revenue to support our own savings plans, this includes selling services for:

- Business Continuity in Schools/Academies
- Internal Audit / Responsible Officer Support Service in Academies
- Business Rates Reviews for other Councils
- Financial Assessments

4.10.3 During the first six months we have expanded in all of these areas and these will be summarised in our Annual Report.

5 RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6 EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out in relation to this report. There are no significant issues to report to the Committee.

7 CONSULTATION

7.1 The report was distributed to the S151 Officer for Consultation.

Contact person	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
Background papers	<i>Report to Corporate Audit Committee – 26th March 2015 – Internal Audit - Annual Report</i>
Please contact the report author if you need to access this report in an alternative format	

Audit Reviews Position Statement (as at 30th September 2015)

Appendix 1

Audit Review Title	Status	Assurance Level	Recommendations	
			Made	Agreed
NNDR	Final	3	12	12
Lead Local Flood Authority - Flood & Drainage Programme Management	Final	3	8	8
Traffic & Safety (Traffic Signals & Intelligent Transport Systems)	Final	4	7	7
Adult Care - Debt Management	Final	3	8	8
Council Website (Internet Payments & Business Continuity)	Final	4	4	4
Deputyships	Final	4	5	5
Cleansing Enforcement	Final	N/A		
Bereavement Services	Final	4	7	7
Heritage - Replacement income / ticketing System	Final	2	20	20
Section 106 / Community Infrastructure Levy	Final	4	2	2
School Financial Value Standards – Assessment of Certificates and Assurance to Chief Finance Officer to sign SFVS Annual Assurance Statement	Complete	N/A		
Liquid Logic - System Administration / Information Security	Final	N/A		
School Theme - Info Gov	Draft			
Property Compliance	Draft			
CCTV - compliance with Surveillance Camera / RIPA regulations.	Draft			
Somerset Business Rates Pool	Draft			
Car Parking Enforcement- Penalty Charge Notices	Draft			
HB Processing Claims & Subsidy Claim	WIP			
HB Overpayments	WIP			
Payment Card Data Security	WIP			
Purchasing Card Key Controls Review	WIP			
Care Packages / Placements – Under the threshold	WIP			
Appointees - Duty of Care Client finances	WIP			
Care Act Implementation (New Liquid Logic IT System – System Development – Deferred Payment Agreements / client expenditure cap; state support asset levels)	WIP			
School Theme Review - Governance (Incl Saltford).	WIP			
Sexual Health Services Commissioning & Contract Management	WIP			
Community Transport	WIP			
Pension Fund - IT Systems				
Pensions Administration (Contributions / Membership Records)				
Revenue Estates - Asset Management Planning including Acquisitions & Disposals - M. Grainger				
Repairs & Maintenance - Identification / Scheduling of Works				
Project Delivery				
Revenue / Small Capital - Miles Barnes. Revenue £1.3m				
Payroll - Itrent - System administration & Information Security				
Procurement - Pro-Contract				
IT Audit Review(s) - ID & Access Controls				
IT Audit Review(s) - Mobile & Remote Working				
IT Audit Review(s) - Social Media				
Care – Contract Payments & Performance Monitoring				
Deprivation of Liberty Safeguards				
Better Care Fund				
Chew Valley Secondary School				
St.Marks Secondary School				
St. Gregor's				
School Theme Self-Assessment Reviews - Financial Planning				
School Theme Self-Assessment Reviews - Safeguarding				
Specialist Services - Contract Management (processing payments accurately / timely; pooled budgets - accurate / timely receipt of funding)				
Recycling				
Leisure Provision				
Heritage - Cash Collection & Banking Operation				
Housing Allocations				
Regeneration - Enterprise Area - Process Review				
Planning Fees				
Election Bank Account				
Members Allowances				

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	8 th December 2015	AGENDA ITEM NUMBER
TITLE:	Draft Audit Plan Methodology	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: None		

1 THE ISSUE

- 1.1 This report updates the Audit Committee on a revised methodology to create the Internal Audit Plan which is planned to be introduced over the next 12 months is asked to consider its work plan for the coming 12 months.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee is asked to The Audit Committee is asked to comment on the proposed methodology

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications relevant to this report.

4 THE REPORT

4.1 BACKGROUND - REASONABLE ASSURANCE MODEL

- 4.2 As part of reviewing best practice and updating our own processes the service has been reviewing its own audit plan methodology in conjunction with the approach adopted at B&NES and is consulting on a new process moving forward.
- 4.3 The existing process utilises a risk assessment approach over the whole audit universe to generate an audit plan each year. This process assumed that there were sufficient resources to cover the whole audit universe over a 5 year period, that the audit universe was always up to date and that risks were broadly the same at a strategic level. It was effectively therefore a 'bottom-up' approach that relied heavily on judgement.
- 4.4 The new process is based on the fundamental requirement that the audit plan proposed will deliver sufficient work to enable the Head of Audit to independently

assess the internal control framework and give a reasonable assurance opinion at the end of each year. In a stable environment where resources were relatively fixed this has been possible by using traditional methods of assessing the audit universe.

- 4.5 However it is considered that this position is no longer viable as audit resources have been reduced, in Bath & North East Somerset's case by 30% in the last five years and the level of risk and operating models in the Council have changed significantly over the last five years.
- 4.6 In recognition of this regional work has taken place to look at alternative models which could be adopted or created to be able to justify a sustainable audit service and audit plan.
- 4.7 The outline of the methodology proposed has been led and developed by Audit West in the South West and nearly all Councils have signed up in principle to adopt the high level approach which is described briefly as follows –

4.8 Reasonable Assurance Model – Principles

- Plan should be a strategic top down assessment which is broad based, not just Finance
- Levels of assurance should be compared to levels of risk
- Resources should be focussed first on areas where assurance is low and risk is high
- Plan should be dynamic and not fixed, less need for an Audit Universe
- Risk Assessment should be simplified around a small number of key factors
- Plan should lead to sufficient reviews to reach a 'reasonable assurance' opinion

4.9 The plan will then be developed in three key stages as detailed below –

- 1) High Level Assessment of Reasonable Assurance Model
- 2) Detailed Risk Assessment of auditable areas
- 3) Consultation & Approval

4.10 Stage 1 – Risk Assessment – Reasonable Assurance Model

- 4.11 Use Model to assess level of Assurance in place over eight themes (and any new areas)
- 4.12 Each Theme has a set of overview questions which assess the level of assurance and the level of risk for each theme.
- 4.13 Purpose is to identify what assurance there is that sound strategies, policies and procedures are in place to deliver a healthy organisation that we can rely on or that enables us to rely on assurance provided by a third party.
- 4.14 The results should enable audit resources to be prioritised on areas where assurance is low and risk is high and also identify gaps or areas of high risk that we need to include in our Audit Plan. This therefore creates a new Audit Universe each year.

Reasonable Assurance Model – 8 Themes



4.15 **Examples of Areas being assessed for each Theme are as follows**

Theme 1 – Corporate Governance

- Overall Governance Framework
- Ethical Framework
- Counter-Fraud Arrangements
- Vision & High Level Priorities
- Constitution, Structure & Decision Making
- Codes of Conduct
- Statutory Policy & Budget Framework

Theme 2 – Financial Management

- Medium Term Finance & Resource Planning
- Annual Budget Setting
- Financial Performance – Revenue & Capital
- Financial Performance – VFM
- Financial Resilience – Reserves
- Key Financial Management Systems
- Financial Regulations & Rules

Theme 3 – Risk Management

- Risk Management Strategy & Framework
- Risk Maturity & Appetite
- Decision Making
- Corporate/Strategic Risks
- Major Project Risks
- Transformation Risks
- HR Risks
- Fraud Risks
- Safety Risks

Theme 4 – Performance Management

- Corporate Plan & Corporate Performance
- Service Planning & Service Performance
- Internal & External Benchmarking
- Strategic Performance Reviews & Business Intelligence
- Target Setting & Reporting
- Customer Feedback & Complaints
- Integrated Reporting
- Transparency

Theme 5 – Procurement & Commissioning

- Procurement & Commissioning Framework
- Delivery/Category Plans
- Contract Standing Orders & Rules
- Contact & Commercial Management
- Governance & Gateways
- Knowledge & Skills
- Benefits Realisation & Savings

Theme 6 – Programme & Project Management

- Transformational Change Programmes
- Links to Corporate Vision & Objectives
- Major Project Governance
- Change Control
- Project Reporting
- Financial & Risk Management
- Benefit Realisation

Theme 7 – Information Management

- Information Management & Technology Strategy
- Standards & Security Requirements
- Information Security
- Information Compliance
- Data Quality, Classification & Integrity
- Business Continuity & Disaster Recovery
- Transparency

Theme 8 – Asset Management

- Asset Management Strategy (& Plans)
- Safeguarding & Security
- Asset Utilisation (& Realisation)
- Workforce Planning
- HR Framework
- Skills & Training Development Programme
- Organisational Development & Change

4.16 **Stage 2 – Risk Assessment – Audit Plan**

Using the results of –

- a) Reasonable Assurance Model Work
- b) Views & Requests of Council Senior Management
- c) Views & Requests of Audit West Senior Management

Carry out Risk Assessment Process of Audit Areas using following Factors –

MATERIALITY
INHERENT RISK
AUDIT HISTORY

Each area would have a simple High/Medium/Low Risk Assessment as follows

- **Materiality**

Budget (Income + Expenditure + Savings in Medium Term Financial Plan)

High Risk > £1M
Medium Risk £250K - £1M
Low Risk <£250K

Or Direct Linkage to –

Achievement of a Corporate Priority and/or
Mitigation of a Corporate Risk

- **Inherent Risk**

Risk Management Judgement – Factors involved for H/M/L

Inherent Operational Risk – I.E. Cash, Stocks, dependency on third party
Inherent Reputational Risk – I.E. Level of Damage to Council
Inherent Technical Risk – I.E. Technical reliance/IT/Systems led
Inherent People Risk – I.E. Lack of Separation of duties or known staffing issues

- **Audit History**

Audit Opinion –

High Risk – Level 1 or Level 2 Opinion at Last Audit
Medium – Level 3 Opinion or no previous audit in last 3 years
Low – Level 4 or Level 5 Opinion at Last Audit

The results of this risk assessment process would generate a long list of areas which could then be refined into a suitable audit plan which could be matched to available resources and then prepared for consultation.

4.17 **Stage 3 – Consultation & Approval – Audit Plan**

- 1) Consultation with S151 Officer
- 2) Consultation with Corporate Management Team
- 3) Consultation with Audit Committee

Introducing this exercise and carrying it out in full is substantial and it is therefore proposed that it will be introduced in stages over the next 12 months and used in full for the 2017/18 audit plan. Key areas will be trialled in preparing the audit plan for 2016/17 and it is intended that as a minimum the fundamental principles will be applied of the new methodology.

- 4.18 Views of the Committee are therefore sought to help develop and refine the methodology.

5 RISK MANAGEMENT

- 5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance. There are no significant risks identified relevant to this report.

6 EQUALITIES

- 6.1 A proportionate equalities impact assessment has been carried out in relation to this report. There are no significant issues to report to the Committee.

7 CONSULTATION

- 7.1 The report has been shared with the S151 Officer.

Contact person	<i>Jeff Wring (01225 477323)</i>
Background papers	
Please contact the report author if you need to access this report in an alternative format	

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	8 th December 2015	AGENDA ITEM NUMBER
TITLE:	Fraud & Corruption Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report: Appendix 1 – Whistleblowing Policy Appendix 2 – Joint Counter Fraud Action Plan Appendix 3 – B&NES Council Counter Fraud Action Plan</p>		

1. THE ISSUE

This report outlines future work in the B&NES Council and North Somerset Council (NSC) Joint Counter Fraud Action Plan 2015-16, to align the policies and procedures for counter fraud at both Councils. It also outlines the progress with the National Fraud Initiative 2014-15 and presents to the Committee the updated Whistleblowing Policy for comment.

2. RECOMMENDATION

The Corporate Audit Committee is asked to:

- a) Review and comment on the updated Whistleblowing Policy (*Appendix 1*)
- b) Comment on the Joint Counter Fraud Action Plan (*Appendix 2*)
- c) Comment on the B&NES Council Counter Fraud Action Plan (*Appendix 3*).

3. FINANCIAL IMPLICATIONS

The financial implications of delivering this plan have been negated by the savings of preventing and/or detecting fraud at an early stage.

4. THE REPORT

This report outlines work already undertaken and proposed future work included within the B&NES and NSC Joint Counter Fraud Action Plan 2015-16, to align the policies and procedures at both Councils.

4.1. Review of Policies

Policies have been reviewed during the year to ensure that they are still current and where necessary updated versions have been produced. As a result of this work, the Whistleblowing Policy has been revised to ensure that it is in line with British Standards PAS 1998:2008 “Whistleblowing arrangements Code of Practice”. This is included at *Appendix 1*.

Work is also being undertaken to create and implement a Counter Fraud Strategy, which will be the ‘umbrella strategy’ to bring together all the other policies. This

work has been delayed as we are awaiting release of the “Fighting Fraud Locally 2015” and the results of the “Fraud & Corruption Tracker Survey 2014-15”, due to be released by the CIPFA Counter Fraud Centre, which will be used to identify the current high risk areas and ensure that we are working to current best practice.

We are also undertaking review of the policies at North Somerset Council to ensure that the policies are closely aligned and where possible joint policies will be issued in the future.

4.2. Online Information

Work is currently being undertaken to review and update the counter fraud information available on the intranet, considering any changes in best practice and current fraud trends. This will include making available a list of ‘possible frauds’ and controls that would prevent and detect the fraud risk.

In addition to this, work has already started to implement a staff Fraud Awareness e-learning module. We are liaising with Human Resources we are optimistic that this can be implemented in the very near future.

4.3. Corporate Investigations

Within the last twelve months, internal audit have been involved in two new investigations. In addition to this, we have been required to spend time on two longstanding police referral cases and have provided advice in relation to another four reported cases of potential financial irregularities.

4.4. National Fraud Initiative 2014-15

Responsibility for the National Fraud Initiative (NFI) has now moved from the Audit Commission to the Cabinet Office. As yet there have not been any changes to the processes.

The data matches for the NFI 2014-15 were released in February 2015. The matches were assigned to the relevant teams for Blue Badges, Concessionary Fares, Housing Benefit, Personal Budgets, Pensions and Insurance. Payroll matches were retained within the Internal Audit team for investigation.

The majority of the ‘recommended’ matches have been completed and for some areas 100% of all the matches have been investigated. Overall the NFI matches have identified £85,545 of fraud or error, of which £73,668 related to overpayment of housing benefit and £11,877 related to pensions.

In addition to this, the Council Tax to Electoral Roll matches released last December resulted in re-calculation of reliefs and revised bills being sent out for an additional £155,250.

4.5. Emerging / High Risks

Fraud risks are considered within all audit reviews, where appropriate. Where necessary, recommendations have been made to strengthen controls to help prevent fraud.

We continue to review information both nationally and locally and liaise with the West of England Internal Audit Fraud Group to keep abreast of current fraud risks, with work completed and best practice shared between the group members.

The publications, “Fighting Fraud Locally 2015” and the results of the “Fraud & Corruption Tracker Survey 2014-15”, when released, will also be used to identify the current high risk areas and any new emerging risks.

4.6. Counter Fraud Bid

In September 2014, we worked in partnership with North Somerset, South Gloucestershire and Bristol City Councils and two joint bids were submitted for the counter fraud funding; Shared Fraud Activity and creation of a data warehouse/data matching function. Although both bids were unsuccessful, the work identified areas to be considered for the future and we are continuing to see if elements of the work can be delivered within current resources.

In particular, the work to align the policies and procedures for Counter Fraud at both B&NES and NSC is conducive to a shared fraud function. We are also continuing work to identify areas in which we can undertake innovative data matching, not only to identify fraud and error, but to provide useful information to Council Services to assist them in operating more effectively / efficiently (providing an 'added value' service to both Councils).

4.7. Joint Counter Fraud Action Plan

Counter Fraud is an on-going process and we will continue to identify and assess the fraud risks that both B&NES and NSC face.

We have developed a Joint Counter Fraud Action Plan that is designed to align the Counter Fraud work at Both B&NES and NSC. This is included in *Appendix 2* for consideration by the Audit Committee. The work will be focused around aligning policies and procedures and also ensuring that staff receive appropriate training and information to enable them to identify and report any suspicions of irregularity/fraud.

This has been further broken down into a specific action plan for B&NES and this can be seen at *Appendix 3*.

5. RISK MANAGEMENT

It is recognised by Government that the current economic climate in the United Kingdom and the Government policy of significantly reduced public spending have the potential to increase the risk of fraud and irregularity as never seen before in the public sector. As the Council makes significant cuts in its current and future budgets, it is essential that it continues to maintain strong defences against fraud and irregularity, directing its resources most effectively to mitigate the areas of highest risk.

6. EQUALITIES

A proportionate equalities impact assessment has been carried out in relation to this report. There are no significant issues to report to the Committee.

7. CONSULTATION

The report was distributed to the S151 Officer for Consultation.

Contact person	<i>Tammy Weeks (01934 634762) or Jeff Wring (01225 477323)</i>
Background papers	
Please contact the report author if you need to access this report in an alternative format	

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**Bath & North East
Somerset Council**

Whistleblowing Policy 2015



**Internal Audit
Audit West**

Whistleblowing Policy 2015

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If you require clarification on any aspect of the Whistleblowing Policy or require this document in a different format, please contact Internal Audit.

Andy Cox, Audit Manager

(01225) 477316 or Andy_Cox@BATHNES.gov.uk

Tammy Weeks, Audit Team Leader

(01934) 634762 or Tammy_Weeks@BATHNES.gov.uk

This policy will be reviewed on an ongoing basis and at least once a year.

Whistleblowing Policy 2015

Introduction

What is Whistleblowing?

Someone blows the whistle when they tell someone in authority about a dangerous, illegal or unethical activity that they are aware of through their work. This can include health and safety risks, environmental issues, fraud, poor standards of care and other problems.

Why is Whistleblowing important?

This Council is committed to the highest possible standards of service and being open, fair and honest. It recognises that all staff, Members and others associated with the Council are often the first to realise that there may be something seriously wrong. Whistleblowing, enabled by this policy, provides a structured way for this important information to come to light.

Why does the Council need a Whistleblowing policy?

Under the requirements of the Public Interest Disclosure Act 1998, it will:

- a) encourage employees, Members and others who have serious concerns about any aspect of the Council's work to voice them;
- b) recognise that certain cases have to proceed on a confidential basis;
- c) enable participation without fear of reprisals;
- d) enable employees, Members and others to raise serious concerns within the Council rather than overlook a problem.

Scope of Policy

Who does the Whistleblowing policy apply to?

- All employees, whether full or part time, permanent or temporary.
- Elected Members.
- All staff working in schools and School Governors.
- All contractors, agencies and partners.

Whistleblowing Policy 2015

What is covered by the Whistleblowing policy?

The Policy:

- provides avenues for the raising of concerns;
- provides procedures for how action taken will be reported back to the whistleblower;
- allows for the matter to be taken further if there is dissatisfaction with the Council's decision;
- underpins the Anti-Fraud and Corruption Policy and will aim to reassure anyone whistleblowing that they will be protected from reprisals or victimisation for acting in good faith.

The Policy does not replace:

- the Council's complaints procedure;
- the Council's grievance procedure;
- the Employees' Code of Conduct;
- specific Council procedures (e.g. those specific to Adult and Children Services);
- managerial responsibilities.

Reporting a Concern

When should I raise a concern?

If you find out about, or have suspicion of, any activity that could be detrimental to the Council. These activities may include:

- conduct which is an offence or a breach of law;
- disclosures relating to miscarriages of justice;
- health & safety risks to public or employees;
- damage to the environment;
- unauthorised use of public funds;
- possible fraud and corruption;
- breaches of the Council's policies, rules and regulations including Financial Regulations, Contract Standing Orders;
- falling below established professional standards or practices;
- improper or unethical conduct; or
- the abuse or neglect of service users. (This list is not exhaustive).

Whistleblowing Policy 2015

What if I don't want to reveal my identity?

The Council will respect the confidentiality of anyone raising a concern and will do everything in its power to protect the identity of that individual whether they are an employee, Member or an external source.

However, as a result of the investigation process a statement may be requested to contribute to the evidence collected. In all such cases the provision of a statement will be discussed with you.

Can I raise my concern anonymously?

Yes. However the Council would encourage you to put your name to an allegation. Formal statements do help to build a case and add credibility to allegations. The key factors to be taken into account when investigating allegations are:

- seriousness of the issues raised;
- credibility of the concern and likelihood of confirming the allegation.

Will I be protected from possible harassment or victimisation?

The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for malpractice. The Council will not tolerate harassment or victimisation and will take action to protect anyone raising a concern in good faith.

If an employee is the subject of disciplinary or redundancy procedures when they raise their concerns, then those procedures will not automatically be affected. The information provided would be assessed in the light of the new circumstances and a decision taken as to how, if at all, those proceedings should be affected.

Will I be subject to any sanctions if the allegation is not proven?

When an allegation is made in good faith, but is not confirmed by the investigation, no action will be taken against the person voicing the concern.

If, however, an employee or Member makes a malicious or vexatious allegation, disciplinary action may be taken. The conduct of the Member may be the subject of consideration by the Standards Committee under the provisions of the Bath & North East Somerset Local Code of Conduct for Councillors. The conduct of employees may be subject to the Council's Disciplinary Process.

How do I go about raising a concern?

Employees should initially raise concerns with their Line Manager. School staff should raise concerns with the Headteacher or the Chair of Governors. However, this does depend on the seriousness and sensitivity of the issues involved and who is thought to be involved in the matter that concerns them.

Governors should raise concerns with the Director of Children Services.

If the matter is more serious or it is not appropriate to raise with Line Management then any of the following should be contacted :-

Whistleblowing Policy 2015

- a) Senior Management i.e. Strategic Director or Divisional Director;
- b) Chief Executive;
- c) Head of Audit West;
- d) Head of Human Resources;
- e) Council Solicitor;
- f) Leader of the Council.

Where there are local specific procedures relating to the raising of concerns (e.g. Adult & Children Health and Social Care) then these procedures will apply.

Outside agencies and partners should raise concerns with the appropriate Senior Manager or Director. Where this is not appropriate they should contact the Council Solicitor or the Chief Executive.

Who will be told about my concern?

There are also certain officers with delegated responsibilities who will need to be contacted on certain matters. However they will not be advised of your identity without your approval. They are:

- a) Council Solicitor,

In respect of actual/potential unlawful conduct, maladministration, breach of the Bath & North East Somerset Local Code of Conduct for Members or breach of law:

- b) Head of Audit West,

In respect of any actual/potential irregularity.

- c) Head of Human Resources,

In respect of any matters relating to staff conduct.

How should I raise my concern?

Concerns should be raised as soon as possible, when you have a reasonable suspicion.

Concerns are better raised in writing and should incorporate relevant information about specific incidents. The background and history of the concern including names, dates and places where possible and the reason why you are particularly concerned about certain situations should also be provided. If you are unable to express your concerns in writing, then you should contact the appropriate officer by telephone or arrange to meet them.

Do I have to provide proof of the allegation?

Although you are not expected to provide evidence of an allegation, you will need to demonstrate to the appropriate officer contacted that there are sufficient grounds for raising the concern.

What Happens Next

Whistleblowing Policy 2015

How will the Council respond to my concern?

The action taken by the Council will depend on the nature of the concern. The matters raised may be :

- a) Resolved without the need for investigation;
- b) Investigated internally;
- c) Referred to the Police;
- d) Referred to the External Auditor; or
- e) Form the subject of an independent inquiry.

In order to protect individuals and the Council, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations, which fall under the scope of specific procedures (e.g. Adult & Children Health and Social Care), will be referred for consideration under those procedures.

As soon as possible after a concern has been raised (normally within 10 working days) the Council will write to the individual concerned to acknowledge the issue that has been raised and to indicate the future course of any action.

Will I be involved with the investigation?

The amount of contact between the individual raising the concern and the officers considering the issue will depend on the nature of the matters raised. The individual may be approached to provide further information.

If a meeting is arranged then the individual concerned has the right to be accompanied by an appropriate person of their choice, for example a work colleague or Trade Union representative.

Will I be informed of the outcome of the investigation?

The person raising a concern will need to be assured that the issue has been appropriately addressed. Therefore the Council, subject to legal constraints, will inform them in writing about the outcomes of any investigations.

How can I take a concern further?

This Policy is intended as an avenue for individuals to raise concerns **within** the Council. The objective will be to investigate reported concerns to the satisfaction of all parties. However, if you are not satisfied you may take your concerns outside of the Council and these are possible contact points:

- Local Council Members;
- Your Member of Parliament;
- The External Auditor;
- Relevant professional bodies or regulatory organisations;
- A solicitor;
- The Police

Whistleblowing Policy 2015

- Public Concern at Work (the leading authority on Public Interest Whistleblowing).

Further information

For further guidance on public interest disclosure:-

<https://www.gov.uk/whistleblowing/who-to-tell-what-to-expect>

Appendix 2 - Joint Counter Fraud Action Plan 2015-16

Action	Work required to Align Practices	Desired Outcome
Strategy, Policies and Procedures		
Annual review of the following documents: <ul style="list-style-type: none"> · Counter Fraud Strategy · Anti-Fraud and Corruption Policy · Prosecution Policy · Money Laundering Policy. · Anti-Bribery Policy · Whistleblowing Policy 	Review all documents at both NSC and BaNES; <ul style="list-style-type: none"> • When are they due for update • How are they made available Consider 'current trends' from Fighting Fraud Locally 2015 and the Fraud & Corruption Tracker Survey results (due end Oct / beginning Nov). Consider how the policies can be aligned. Understand approval lines at both councils. Update policies as required. Ensure that all updated policies are promoted.	All documents are "fit for purpose" and incorporate details of new or revised risks of fraud or irregularity and any national changes. All changes to documents approved by the Council (<i>Constitution</i>) and/or the Audit Committee.
Counter Fraud Awareness		
Counter fraud alerts: <ul style="list-style-type: none"> · The Knowledge / Staff Matters · Members Only · Display Board · Counter fraud intranet site 	Establish contacts and understand protocols at both councils for publishing fraud alerts. Establish contacts and understand protocols for information on intranet sites. Review and update the information on intranet, considering any changes in best practice and current fraud trends. Establish whether display boards are available at the councils. Obtain dates of key events at which display boards can be used to promote counter fraud.	Staff, Members, partners, contractors and volunteers (civil sector) have enhanced knowledge and awareness of the risk of potential fraud or irregularity. Increase in good quality internal/external referrals where fraud or irregularity is suspected. Fraud risks included within risk registers and appropriate action taken to mitigate the risks, resulting in less corporate investigations and reduction in losses to the council.
Counter fraud newsletter:	Use Staff Matters and The Knowledge to publicise any	

Page 3

Appendix 2 - Joint Counter Fraud Action Plan 2015-16

Action	Work required to Align Practices	Desired Outcome
<ul style="list-style-type: none"> · Contribute to the West of England newsletter, collated by South Gloucestershire Council · Circulation of articles of relevant interest. 	<p>potential frauds that may affect the wider council.</p> <p>Targeted fraud alerts to be used for notifying of possible fraud attempts in specific areas.</p>	
<p>Training programme:</p> <ul style="list-style-type: none"> · Continue promoting the counter fraud awareness e-learning module to all staff throughout NSC · Implementation of fraud awareness training at BaNES · Specific counter fraud awareness training provided to those persons working within areas of increased risk of fraud or irregularity · Promotion of counter fraud awareness to all partner organisations and contractors of the council. Consider having a promotional stand at all event days. · Develop a fraud awareness training programme for delivery to schools and academies. 	<p>Establish contacts and understand protocols as to what training can be provided at both councils.</p> <p>Review and update training to ensure that it is in line with current best practice and reflects current fraud risks.</p> <p>Discuss with the Business Development Manager, training that can be delivered to academies and other organisations.</p> <p>Consider delivering fraud awareness training to Bursar and Business Managers group (or equivalent) at BaNES.</p>	
<p>Communication of successful fraud or irregularity investigations and outcomes.</p>	<p>Discuss and understand the current process at BaNES for reporting outcomes of investigations.</p>	

Appendix 2 - Joint Counter Fraud Action Plan 2015-16

Action	Work required to Align Practices	Desired Outcome
Corporate Investigations (Internal and External):		
<p>Intelligent sift of all referrals to ensure a formal investigation by Internal Audit is the most appropriate course of action.</p> <p>Prompt referral to the Police of any potentially serious fraud or irregularity (<i>senior management approval required</i>)</p>	<p>Discuss and understand current processes for investigations at BaNES.</p> <p>Consider whether any changes are required to align the working practices, ensuring that all investigations are conducted and evidence collected in line with legislations.</p>	<p>Issue of formal Internal Audit reports, incorporating recommendations for disciplinary or management action and/or practice and process changes, to senior management.</p>
<p>Data matching referrals:</p> <ul style="list-style-type: none"> • National Fraud Initiative (NFI) (<i>Audit Commission</i>) • Intelligent internal data matching to generate fraud or irregularity referrals, e.g. staff names and addresses matched to creditor payments names and addresses. <p>Investigations to be completed by IA in conjunction with HR and/or relevant managers within Council directorates</p>	<p>Establish contacts at BaNES for NFI work. Fully understand processes at BaNES and current progress.</p> <p>Continue liaising with departments and monitoring progress to ensure that data is extracted and uploaded within timescales and matches are progressed.</p>	<p>Appropriate disciplinary or management action taken by senior management in respect of all cases of proven fraud or irregularity.</p> <p>Full recovery (<i>if cost effective</i>) from an individual or insurance policy of all losses suffered by the Council as a result of fraud or irregularity.</p> <p>Civil action (<i>prosecutions</i>) taken by senior management in respect of proven cases of fraud or irregularity (<i>if cost effective</i>).</p>
Emerging Risks		
<p>Continuously review national documentation / press releases and</p>		<p>Issue of formal Internal Audit reports, incorporating recommendations for</p>

Appendix 2 - Joint Counter Fraud Action Plan 2015-16

Action	Work required to Align Practices	Desired Outcome
<p>information shared through the West of England Chief Internal Auditors Fraud Sub-Group to keep abreast of all emerging fraud risks. Where necessary;</p> <ul style="list-style-type: none"> · Assess the level of risk to NSC and BaNES · Ensure robust processes are in place to minimise the opportunity of fraud · Identify all cases of possible fraud and investigate · Action taken if necessary 		<p>management action and/or practice and process changes, to senior management.</p> <p>Appropriate action taken by senior management in respect of all cases of proven fraud or irregularity.</p>
Internal Audit Service		
<p>Programme of internal audit reviews and counter fraud work included in Annual Audit Assurance Plan 2015-16, e.g. Annual fraud transaction checks.</p>	<p>Review the audit plans at both councils and recent work to identify areas where further audit work is required.</p> <p>Through discussion understand how the information is captured at BaNES for using in benchmarking. Align processes if necessary.</p>	<p>Adequate assurance provided (<i>Annual Assurance Statement</i>).</p> <p>Senior management and the Audit Committee have timely and sufficient information about the implementation of the Counter Fraud Strategy 2013-15 and the Counter Fraud Action Plan 2015-16.</p>
<p>Attendance at meetings of the regional West of England Chief Internal Auditors Fraud Sub-Group.</p>	<p>Review recent audit committee reports at both councils. Discuss and agree standard report layout.</p>	
<p>Active involvement in regional and national data capture and benchmarking exercises.</p>		
<p>Regular progress reports for senior management, e.g. Statutory</p>		

Appendix 2 - Joint Counter Fraud Action Plan 2015-16

Action	Work required to Align Practices	Desired Outcome
Officers, and the Audit Committee.		
Attendance at project groups to identify fraud risks that may affect new and/or changing areas of work.		

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Appendix 3 - BaNES Counter Fraud Action Plan 2015-16

Action	Desired Outcome	Target Date
Strategy, Policies and Procedures		
Develop a Counter Fraud Strategy as the 'umbrella strategy' to bring together all the policies detailed below. Consider 'current trends' from Fighting Fraud Locally 2015 and the Fraud & Corruption Tracker Survey results (due pre-Christmas 2015).		March 2016
Annual review of the following documents: · Anti-Fraud and Corruption Policy · Money Laundering Policy. · Anti-Bribery Policy · Whistleblowing Policy Update policies as required and where possible align policies of North Somerset and B&NES Councils.	All documents are "fit for purpose" and incorporate details of new or revised risks of fraud or irregularity and any national changes. All changes to documents approved by the Audit Committee. All updates to policies to be promoted through Staff Matters and the intranet. Relevant policies available on the public website.	Dec 2015
Review the Whistleblowing Policy to ensure that it is in line with British Standards PAS 1998:2008 "Whistleblowing Arrangements Code of Practice".		Dec 2015
Develop an e-form that allows the wider public to report suspicions of fraud and/or irregularity at a time and place convenient to them. Ensure that relevant policies are available to the public.	Increase in good quality internal/external referrals where fraud or irregularity is suspected.	tbc

Appendix 3 - BaNES Counter Fraud Action Plan 2015-16

Action	Desired Outcome	Target Date
Counter Fraud Awareness		
Use Staff Matters to publicise any potential frauds that may affect the wider council. Targeted fraud alerts to be used for notifying of possible fraud attempts in specific areas.		Ongoing
Review and update the counter fraud information available on the intranet, considering any changes in best practice and current fraud trends. Develop a list of 'possible frauds' and controls that would reduce the risks, to be made available on the intranet.		tbc
Training programme: <ul style="list-style-type: none"> • Implementation of fraud awareness e-learning module for all new staff • Specific counter fraud awareness training provided to those persons working within areas of increased risk of fraud or irregularity • Promotion of counter fraud awareness to all staff and contractors of the council. Consider having a promotional stand at all event days. • Develop a fraud awareness training programme for delivery to schools and academies. 		March 2016 Ongoing
Communication of successful fraud or irregularity		Ongoing

Appendix 3 - BaNES Counter Fraud Action Plan 2015-16

Action	Desired Outcome	Target Date
investigations and outcomes.		
Corporate Investigations (Internal and External):		
Intelligent sift of all referrals to ensure a formal investigation by Internal Audit is the most appropriate course of action. Prompt referral to the Police of any potentially serious fraud or irregularity (<i>in liaison with Service Management and S151 Officer</i>).	Issue of formal Internal Audit reports, incorporating recommendations for disciplinary or management action and/or practice and process changes, to senior management.	Ongoing
Data matching referrals: <ul style="list-style-type: none"> • National Fraud Initiative (NFI) • Intelligent internal data matching to generate fraud or irregularity referrals, e.g. staff names and addresses matched to creditor payments names and addresses. Investigations to be completed by Internal Audit in conjunction with Human Resources and/or relevant managers within Council directorates.	Appropriate disciplinary or management action taken by senior management in respect of all cases of proven fraud or irregularity. Full recovery (<i>if cost effective</i>) from an individual or insurance policy of all losses suffered by the Council as a result of fraud or irregularity.	Ongoing
Emerging Risks		
Continuously review national documentation / press releases and information shared through the West of England Chief Internal Auditors Fraud Sub-Group to keep abreast of all emerging fraud risks. Where necessary; <ul style="list-style-type: none"> • Assess the level of risk to B&NES • Ensure robust processes are in place to minimise the opportunity of fraud 	Issue of formal Internal Audit reports, incorporating recommendations for management action and/or practice and process changes, to senior management. Appropriate action taken by senior management in respect of all cases of proven fraud or irregularity.	Ongoing

Appendix 3 - BaNES Counter Fraud Action Plan 2015-16

Action	Desired Outcome	Target Date
<ul style="list-style-type: none"> · Identify all cases of possible fraud and investigate · Action taken if necessary 		
Internal Audit Service		
Internal Audit reviews to include testing programme to assess the fraud risks and identify fraud and/or irregularity.	Adequate assurance provided (<i>Annual Assurance Statement</i>). Senior management and the Audit Committee have timely and sufficient information about the Counter Fraud Action Plan 2015-16.	Ongoing
Attendance at meetings of the regional West of England Chief Internal Auditors Fraud Sub-Group.		Ongoing
Active involvement in regional and national data capture and benchmarking exercises.		Ongoing
Regular progress reports for senior management, e.g. Statutory Officers, and the Audit Committee.		Ongoing

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	8th December 2015	AGENDA ITEM NUMBER
TITLE:	External Audit Update	EXECUTIVE FORWARD PLAN REFERENCE: E
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1 – Annual Audit Letter</p> <p>Appendix 2 – External Audit Update Report</p>		

1 THE ISSUE

1.1 The External Auditor will provide a general update to the Committee on their work, including the Annual Audit Letter.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to note the report and updates provided by the External Auditor.

3 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications as a result of this report.

4 THE REPORT

4.1 Appendix 1 details the Annual Audit Letter for the Council which summarises all the work undertaken by Grant Thornton over the period.

4.2 Appendix 2 provides an update on the External Auditors work for Bath & North East Somerset Council along with references to a number of national initiatives, announcements and publications which may be of use to the Council.

4.3 The External Auditor will provide a fuller verbal briefing on all these areas at the meeting.

5 RISK MANAGEMENT

5.1 A proportionate risk assessment has been carried out in relation to the Councils risk management guidance. There are no new significant risks or issues to report to the Committee as a result of this report.

6. EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines, no significant issues to report.

7 CONSULTATION

7.1 Consultation has been carried out with the Section 151 Finance Officer.

Contact person	Jeff Wring (01225 47323)
Background papers	
Please contact the report author if you need to access this report in an alternative format	



The Annual Audit Letter for Bath and North East Somerset Council

Year ended 31 March 2015

22 October 2015

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Bath and North East Somerset Council ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 13 March 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

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<p>Financial statements audit (including audit opinion)</p>	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 28 September 2015 to the Corporate Audit Committee. The key messages reported were:</p> <ul style="list-style-type: none"> • We did not identify any adjustments affecting the Council's reported financial position. However, we identified a number of adjustments in respect of the valuation of property, plant and equipment (PPE) assets and also a number of adjustments to improve the presentation of the financial statements. • The Council needs to improve its arrangements for ensuring that the value of PPE is fairly stated. We have met with the finance and property teams to discuss how the arrangements for 2015/16 and beyond can be improved. <p>We issued an unqualified opinion on the Council's 2014/15 financial statements on 28 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p>
<p>Value for Money (VfM) conclusion</p>	<p>We issued an unqualified VfM conclusion for 2014/15 on 28 September 2015.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.</p>

Key messages continued

<p>Pension Fund Financial statements audit (including audit opinion)</p>	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 28 September 2015 to the Corporate Audit Committee. The key messages reported were:</p> <ul style="list-style-type: none"> • There was one amendment made to the accounts relating to the treatment of overpayments made by Bristol City Council. The adjustment was immaterial; • There were some minor presentational and disclosure errors identified; and • We noted two issues arising from the fact that the pension fund is not separated in the Council's ledgers. This makes identification of journals related to the fund and separating cash book transactions a more complicated process. <p>We issued an unqualified opinion on the Fund's 2014/15 financial statements on 28 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirmed that the financial statements give a true and fair view of the Fund's financial position. In addition we provided the consistency opinion on the pension fund annual report on 28 September.</p>
<p>Whole of Government Accounts</p>	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.</p>
<p>Certification of housing benefit grant claim</p>	<p>Our work on the certification of the Council's 2014/15 housing benefit grant is in progress. The deadline for the completion of this work is 30 November 2015.</p>
<p>Audit fee</p>	<p>Our fee for 2014/15, excluding certification of the housing benefit grant claim, was £165,109, excluding VAT, which was in line with our planned fee for the year. Further detail is included within Appendix B.</p>

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

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No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>Other than the fixed asset register, there isn't a full listing of infrastructure assets. This will need to be addressed before the year end so that the Council can undertake the required valuations and establish the opening balance sheet position.</p> <p>A full listing of infrastructure assets should be developed.</p>	High	<p>A project is underway in preparation for the new treatment of transport infrastructure required by 2016/17 Accounting Code. This will incorporate the inventory of assets currently maintained by the Highways Department. Disclosures for the new standard are needed for 2015/16 financial statements.</p> <p>June 2016 Corporate Finance Manager</p>
2.	<p>In undertaking our testing of operating expenses we identified that the employment of a contractor working as part of the Young Persons Safeguarding Team did not follow the Council's procedures for such employment. Employment checks were not undertaken and the appointment was not referred to the procurement team. The individual has since found employment with the Council.</p> <p>Staff should be reminded of the proper processes to follow, especially in relation to sensitive posts.</p>	High	<p>Staff will be reminded of the proper processes that need to be followed.</p> <p>October 2015 Head of Human Resources</p>
3.	<p>The valuer's report was not provided until 31 July 2015, a month after the draft accounts were produced and the audit started. Timely delivery of this report will be even more important in the future as the deadline for the draft accounts is to be brought forward to 31 May 2015.</p> <p>The valuer's report should be provided in advance of preparation of the draft accounts.</p>	High	<p>We understand the need for this evidence to be formalised before the draft accounts are produced. No changes to underlying valuations were made in 2014/15 after the draft statement of accounts.</p> <p>May 2016 Head of Property Service</p>

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

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No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
4.	<p>The total value of assets in the fixed asset register did not agree to the values in the property register. The difference was primarily due to capital expenditure incurred during the year, but the two registers were not fully and clearly reconciled.</p> <p>The two documents should be fully reconciled at gross book value level.</p>	High	<p>There is only one fixed asset register supporting the Statement of Accounts. The Gross Book Value (GBV) reflects all capital movements including new valuations undertaken along with in-year expenditure, transfers and disposals. There will always be a timing difference between valuations carried out at a fixed date of 1st April, new capital spend in year and valuer's re-examining spend as complete and enhancing. This is particularly the case within a five year valuation programme. All this information is available at an individual asset level, but we will continue to develop our summary reporting to enhance the link between GBV and Valuations.</p> <p>June 2016 Corporate Finance Manager</p>
5.	<p>A number of journals were input without an adequate description of the transaction. Furthermore, for two journals, sufficient supporting documentation was not provided at the time of input.</p> <p>All journals should contain adequate narrative and supporting documentation.</p>	Medium	<p>Finance Staff will be reminded of the requirement for adequate narrative and supporting documentation.</p> <p>Sept 2015 Corporate Finance Manager</p>

Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

Fees for audit services

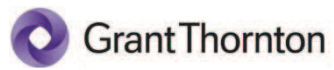
	Per Audit plan £	Actual fees £
Trust audit	165,109	165,109
Housing benefit grant certification fee	18,340	To be confirmed
Total audit fees	183,449	To be confirmed

Fees for other services

Service	Fees £
Audit related services	
• Certification of teachers' pension return	4,200
• Report on Regional Growth Fund returns	9,150
Non-audit related services	
	Nil

Reports issued

Report	Date issued
Audit Plan	March 2015
Audit Findings Report	September 2015
Annual Audit Letter	October 2015
Certification Report	December 2015 (expected)



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Update for Bath and North East Somerset Council Corporate Audit Committee

Year ended 31 March 2016

December 2015

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

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Growing healthy communities – Health and wellbeing index
- Knowing the ropes: Audit committee effectiveness review 2015
- Making devolution work: A practical guide for local leaders
- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015

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

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Progress at December 2015

Work	Planned date	Complete?	Comments
<p>2015-16 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Councils 2015-16 financial statements.</p>	April 2016	Not yet due	It is our intention to present our audit plan at the May/June meeting of the Corporate Audit Committee.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	March 2016	Not yet due	Our audit plan will include commentary on any issues we identify during the interim audit. We will consider the key audit risks and the implication for our audit strategy.
<p>2015-16 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2015-16 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July – August 2016	Not yet due	We will complete the accounts audit in line with the statutory deadline. We will support the efficient production of the accounts with our series of accounts workshops, in conjunction with CIPFA, and we will specify our working paper requirements in advance of the audit.

Progress at December 2015

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The National Audit Office has recently consulted on a revised approach to the value for money conclusion for 2015-16. The proposed approach has now been finalised. We expect our work to cover the following areas:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	January 2016 – August 2016	Not yet due	We expect to undertake the majority of our work by the end of the financial year, but won't be able to finalise our work until shortly before issuing our value for money conclusion.
<p>Other areas of work</p> <p>Housing benefit certification (2015-16)</p>	September – November 2016	Not yet due	
<p>Other activity undertaken</p> <p>Housing benefit certification (2014-15)</p>		Yes	The housing benefit return was certified on 27 th November. A qualification letter accompanied the return as a number of errors were identified during our review.
<p>Teachers' pension return (2014-15)</p>		Yes	Our report on the teacher's pension return was submitted on 27 th November. An unqualified report was issued but, as required, we drew the Teachers' Pensions Agency's attention to a number of small errors.

Emerging issues and developments

This section of our update provides a summary of emerging national issues and developments that may be relevant to you.

Making devolution work: A practical guide for local leaders

Grant Thornton market insight

Our latest report on English devolution is intended as a practical guide for areas and partnerships making a case for devolved powers or budgets.

The recent round of devolution proposals has generated a huge amount of interest and discussion and much progress has been made in a short period of time. However, it is very unlikely that all proposals will be accepted and we believe that this the start of an iterative process extending across the current Parliament and potentially beyond.

With research partner Localis we have spent recent months speaking to senior figures across local and central government to get under the bonnet of devolution negotiations and understand best practice from both local and national perspectives. We have also directly supported the development of devolution proposals. In our view there are some clear lessons to learn about how local leaders can pitch successfully in the future.

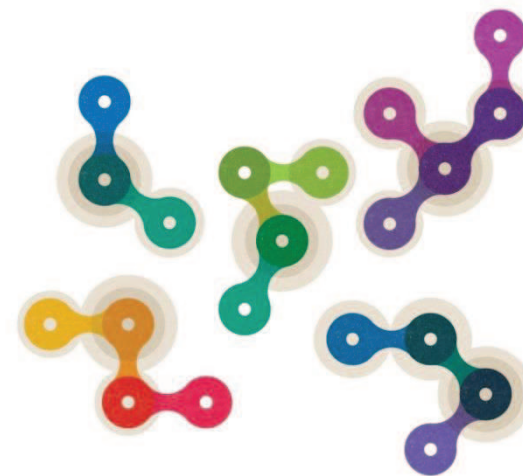
In particular, our report seeks to help local leaders think through the fundamental questions involved:

- what can we do differently and better?
- what precise powers are needed and what economic geography will be most effective?
- what governance do we need to give confidence to central government

The report 'Making devolution work: A practical guide for local leaders' can be downloaded from our website:

<http://www.grantthornton.co.uk/en/insights/making-devolution-work/>

Hard copies of our report are available from your Engagement Lead and Audit Manager.



Turning up the volume: The Business Location Index

Grant Thornton market insight

Inward investment is a major component of delivering growth, helping to drive GDP, foster innovation, enhance productivity and create jobs, yet the amount of inward investment across England is starkly unequal.

The Business Location Index has been created to help local authorities, local enterprise partnerships, central government departments and other stakeholders understand more about, and ultimately redress, this imbalance. It will also contribute to the decision-making of foreign owners and investors and UK firms looking to relocate.

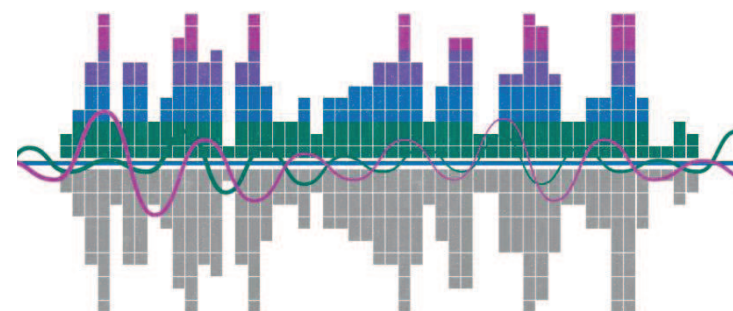
Based on in-depth research and consultation to identify the key factors that influence business location decisions around economic performance, access to people and skills and the environmental/infrastructure characteristics of an area, the Business Location Index ranks the overall quality of an area as a business location. Alongside this we have also undertaken an analysis of the costs of operating a business from each location. Together this analysis provides an interesting insight to the varied geography that exists across England, raising a number of significant implications for national and local policy makers.

At the more local level, the index helps local authorities and local enterprise partnerships better understand their strengths and assets as business locations. Armed with this analysis, they will be better equipped to turn up the volume on their inward investment strategy, promote their places and inform their devolution discussions.

The report 'Turning up the volume: The Business Location Index' can be downloaded from our website:

<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2015/business-location-index-turning-up-the-volume.pdf>

Hard copies of our report are available from your Engagement Lead and Audit Manager.



Growing healthy communities: The Health and wellbeing index

Grant Thornton market insight

It has long been recognised that the health of a population is strongly linked to the circumstances in which people live. Our index assesses 33 key health determinants and outcomes of health for the 324 English local authorities, to provide a coherent, national story on health and wellbeing. It highlights the scale and nature of inequality across the country and reiterates the need for a local, place-based approach to tackling health outcomes.

The purpose of this report is to help stakeholders – NHS providers and clinical commissioning groups (CCGs), local authorities, health and social care providers, housing associations, fire authorities and the police – to improve collaboration through a better understanding of the correlation between the economic, social and environmental health determinants and the health outcomes within their locality. It includes a concluding checklist of questions to help facilitate discussions in the light of joint service needs assessments.

The data behind the index also allows segmentation which reveals areas around the country with similar health determinants, but better outcomes. This underscores the need to work in collaboration with peers that may not be 'next door' if there is an opportunity to learn from 'others like us'.

Hard copies of our report are available from your Engagement Lead and Audit Manager.



Knowing the Ropes – Audit Committee Effectiveness Review

Grant Thornton

This is our first cross-sector review of audit committee effectiveness encompassing the corporate, not for profit and public sectors. It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. It is available at <http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>

The report is structured around four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

It raises key questions that audit committees, board members and senior management should ask themselves to challenge the effectiveness of their audit committee.

Our key messages are summarised opposite.

Hard copies of our report are available from your Engagement Lead and Audit Manager.



Supporting members in governance

Grant Thornton and the Centre for Public Scrutiny

We have teamed up with the Centre for Public Scrutiny to produce a member training programme on governance. Elected members are at the forefront of an era of unprecedented change, both within their own authority and increasingly as part of a wider local public sector agenda. The rising challenge of funding reductions, the increase of alternative delivery models, wider collaboration with other organisations and new devolution arrangements mean that there is a dramatic increase in the complexity of the governance landscape.

Members at local authorities – whether long-serving or newly elected – need the necessary support to develop their knowledge so that they achieve the right balance in their dual role of providing good governance while reflecting the needs and concerns of constituents.

To create an effective and on-going learning environment, our development programme is based around workshops and on-going coaching. The exact format and content is developed with you, by drawing from three broad modules to provide an affordable solution that matches the culture and the specific development requirements of your members.

- Module 1 – supporting members to meet future challenges
- Module 2 – supporting members in governance roles
- Module 3 – supporting leaders, committee chairs and portfolio holders

The development programme can begin with a baseline needs assessment, or be built on your own understanding of the situation.

Further details are available from your Engagement Lead and Audit Manager



George Osborne sets out plans for local government to gain new powers and retain local taxes

Local government issues

The Chancellor unveiled the "devolution revolution" on 5 October involving major plans to devolve new powers from Whitehall to Local Government. Local Government will now be able to retain 100 per cent of local taxes and business rates to spend on local government services; the first time since 1990. This will bring about the abolition of uniform business rates, leaving local authorities with the power to cut business rates in order to boost enterprise and economic activity within their areas. However, revenue support grants will begin to be phased out and so local authorities will have to take on additional responsibility. Elected Mayors, with the support of local business leaders in their LEPs, will have the ability to add a premium to business rates in order to fund infrastructure, however this will be capped at 2 per cent.

There has been a mixed reaction to this announcement. Some commentators believe that this will be disastrous for authorities which are too small to be self-sufficient. For these authorities, the devolution of powers and loss of government grants will make them worse off. It has also been argued that full devolution will potentially drive up council's debt as they look to borrow more to invest in business development, and that this will fragment the creditworthiness of local government.

Issue for consideration

Have members been briefed by the Divisional Director: Business Support on the Chancellor's "devolution revolution" announcement and its likely impact on the Council?

Councils must deliver local plans for new homes by 2017

Local government issues

The Prime Minister announced on 12 October that all local authorities must have plans for the development of new homes in their area by 2017, otherwise central government will ensure that plans are produced for them. This will help achieve government's ambition of 1 million more new homes by 2020, as part of the newly announced Housing and Planning Bill.

The government has also announced a new £10 million Starter Homes fund, which all local authorities will be able to bid for. The Right to Buy Scheme has been extended with a new agreement with Housing Associations and the National Housing Federation. The new agreement will allow a further 1.3 million families the right to buy, whilst at the same time delivering thousands of new affordable homes across the country. The proposal will increase home ownership and boost the overall housing supply. Housing Association tenants will have the right to buy the property at a discounted rate and the government will compensate the Housing Associate for their loss.

Issue for consideration

Have members been briefed on the government's new homes announcements and their likely impact on the Council?

Improving efficiency of council tax collection

Local government issues

DCLG have published "Improving Efficiency for Council Tax Collection", calling for consultation on the proposals to facilitate improvements in the collection and enforcement processes in business rates and council tax. The consultation is aimed specifically at local authorities, as well as other government departments, businesses and any other interested parties. The consultation document states that council tax collection rates in 2014-15 are generally high (at 97 per cent), however the government wishes to explore further tools for use by local authorities and therefore seeks consultation from local authorities on DCLG's proposals. The consultation closed on 18 November.

The Government proposes to extend the data-sharing gateway which currently exists between HMRC and local authorities. Where a liability order has been obtained, the council taxpayer will have 14 days to voluntarily share employment information with the council to enable the council to make an attachment to earnings. If this does not happen, the Government proposes to allow HMRC to share employment information with councils. This would help to avoid further court action, would provide quicker access to reliable information, and would not impose any additional costs on the debtor. The principle of this data-sharing is already well-established for council taxpayers covered by the Local Council Tax Support scheme, and it would make the powers applying to all council tax debtors consistent. Based on the results of the Manchester/HMRC pilot, Manchester estimate that £2.5m of debt could potentially be recouped in their area alone.

Issue for consideration

Have members been briefed by the Divisional Director: Business Support on the government's council tax collection consultation and the Council's response to it?

Code of Audit Practice

National Audit Office

Under the Local Audit and Accountability Act 2014 the National Audit Office are responsible for setting the Code of Audit Practice which prescribes how local auditors undertake their functions for public bodies, including local authorities.

The NAO have published the Code of Audit Practice which applies for the audit of the 2015/16 financial year onwards. This is available at <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Final-Code-of-Audit-Practice.pdf>

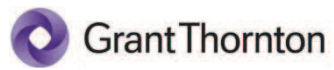
The Code is principles based and will continue to require auditors to issue:

- Opinion on the financial statements
- Opinion on other matters
- Opinion on whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the "VFM conclusion".)

The NAO will supplement the new Code with detailed auditor guidance in specific areas. The guidance on the auditor's work on value for money arrangements has recently been finalised. The guidance sets out the overall criterion, which is "In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements but these are not separate and auditors are not required to reach a distinct judgement against each one:

- informed decision making
- sustainable resource deployment
- working with partners and other third parties.



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