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COMMITTEE: **JOINT AUDIT AND STANDARDS COMMITTEE**

VENUE: **King Edmund Chamber,
Endeavour House, 8 Russell
Road, Ipswich**

DATE: **Monday, 13 November 2017
at 10.00 am**

Members

Babergh

Sue Burgoyne
Tom Burrows
Michael Creffield
Frank Lawrenson

Mark Newman
David Rose
William Shropshire
Stephen Williams

Mid Suffolk

Michael Burke
John Levantis
John Matthissen
Lesley Mayes

Suzie Morley
Dave Muller
Mike Norris
Kevin Welsby

A G E N D A

ITEM

BUSINESS

PAGES

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PART I

1 SUBSTITUTES AND APOLOGIES

Any Member attending as an approved substitute to report giving his/her name and the name of the Member being substituted.

2 DECLARATION OF INTERESTS

Members to declare any interests as appropriate in respect of items to be considered at this meeting.

3 JAC/17/9 TO CONFIRM THE MINUTES OF THE MEETING HELD ON
29 SEPTEMBER 2017

1 - 4

4 TO RECEIVE NOTIFICATION OF PETITIONS IN
ACCORDANCE WITH THE COUNCIL'S PETITION SCHEME

5 QUESTIONS BY THE PUBLIC

To consider questions from, and provide answers to, the public in relation to matters which are relevant to the business of the meeting and of which due notice has been given in accordance with the Committee and Sub-Committee Procedure Rules.

ITEM	BUSINESS	PAGES
6	<u>QUESTIONS BY COUNCILLORS</u>	
	To consider questions from, and provide answer to, Councillors on any matter in relation to which the Committee has powers or duties and of which due notice has been given in accordance with the Committee and Sub-Committee Procedure Rules.	
7	<u>JAC/17/10 MID YEAR REPORT ON TREASURY MANAGEMENT 2017/18</u>	5 - 26
	Report by the Cabinet Members for Finance attached.	
8	<u>JAC/17/11 JOINT ANNUAL AUDIT LETTER FOR THE YEAR 2016/17</u>	27 - 52
	Report by the Cabinet Members for Finance attached.	
9	<u>JAC/17/12 INTERIM INTERNAL AUDIT REPORT 2017/18</u>	53 - 70
	Report by the Corporate Manager – Internal Audit attached.	
10	<u>CONSTITUTIONAL UPDATE FROM THE MONITORING OFFICER</u>	
11	<u>JAC/17/13 FORWARD PLAN</u>	71 - 72
	Report by the Corporate Manager – Democratic Services attached.	

Note: The date of the next meeting is Monday 15 January 2018 commencing at 10.00 a.m.

Agenda Item 3

BABERGH DISTRICT COUNCIL

JOINT AUDIT AND STANDARDS
COMMITTEE

MINUTES OF THE MEETING OF THE JOINT AUDIT AND STANDARDS COMMITTEE
HELD IN COUNCIL CHAMBER, COUNCIL OFFICES, CORKS LANE, HADLEIGH ON
FRIDAY, 29 SEPTEMBER 2017

PRESENT: Frank Lawrenson - Chairman

Babergh	Mid Suffolk
Sue Burgoyne	Michael Burke
Tom Burrows	John Levantis
Michael Creffield	John Matthissen
Alastair McCraw	Lesley Mayes
Stephen Williams	Suzi Morley
	Dave Muller
	Mike Norris
	Kevin Welsby

William Shropshire was unable to be present.

John Whitehead and Elizabeth Gibson-Harries were in attendance at the meeting.

11 DECLARATION OF INTERESTS

None declared.

12 JAC/17/5 - TO CONFIRM THE MINUTES OF THE MEETING HELD ON 17 JULY 2017

RESOLVED

That the minutes of the meeting held on 17 July 2017 be confirmed and signed as a correct record.

13 PETITIONS

None received.

14 QUESTIONS BY THE PUBLIC

None received.

15 QUESTIONS BY COUNCILLORS

Question from Councillor John Matthissen to the Chairman of the Joint Audit and Standards Committee

Why are the accounts of the two sovereign councils being considered by a combined, Joint meeting?

Answer

Both Councils decided to establish a single Joint Audit and Standards Committee when the constitution was adopted in April 2017, therefore this is the only route for this item to be agreed. The way that this will work in practice is that the questioning and debate will be done jointly then each set of councillors will vote on the recommendation specific to the council they are elected to i.e. MSDC members will agree the MSDC accounts and BDC members will agree the BDC accounts.

Supplementary Question

Could further thought be given to having separate Audit Committees in future?

Answer

We will see how it goes today with the joint arrangements.

16 JAC/17/6 STATEMENTS OF ACCOUNTS 2016/17 AND AUDITOR'S REPORT

The Chairman of the Committee, Frank Lawrenson, outlined how he proposed to take consideration of Paper JAC/17/6 to ensure that all Members had the opportunity to ask questions on matters of specific relevance to each individual Council, and on those issues common to both, with separate votes to be taken by Babergh Members (on Recommendation 2.2) and Mid Suffolk Members (on Recommendation 2.3).

He then asked Katherine Steel, Assistant Director – Corporate Resources to introduce the report and an Update was circulated to those present covering changes to the Statement of Accounts for each of the two Councils. She outlined the reasons for the changes as set out in the Update, a copy of which is attached to these Minutes.

Suresh Patel from the Councils' External Auditor, Ernst and Young, together with Melanie Richardson, then introduced the Auditor's Joint Report for 2016/17 (Appendix A to Paper JAC/17/6) which gave a clean opinion with no matters to report. There were no questions for the Auditor and Recommendation 2.1, to approve the joint report, was accepted.

Members then asked questions about matters common to both Councils, including the format of the accounts and the requirements for the way in which they were presented, which the Officers confirmed were in the legally prescribed form. It was suggested that appropriate training might help to address some of the queries raised, and it was also agreed that the Assistant Director will look at the possibility of providing a covering explanation in a more user-friendly form. In this connection Councillor Burke offered to provide an example of an alternative format.

In response to a request for Members to be provided with more information about the income from the Councils' investments, the Assistant Director referred to the Treasury Management report to be presented to the next meeting of the Committee which will contain a breakdown of the various elements and should provide the necessary level of detail.

RESOLVED

- (1) That the Joint External Auditor’s Report for 2016/17, as set out in Appendix A to Paper JAC/17/6 be approved.
- (2) That the Statement of Accounts for 2016/17 for Babergh District Council as set out in Appendix B, **as amended**, which has been produced following the completion of the audit be approved.
(Note – only the six Babergh Members voting, all in favour)
- (3) That the Statement of Accounts for 2016/17 for Mid Suffolk District Council as set out in Appendix C, **as amended**, which has been produced following the completion of the audit be approved.
(Note – only the eight Mid Suffolk Members voting, all in favour)

17 JAC/17/7 CODE OF CONDUCT COMPLAINTS MONITORING REPORT

John Snell, Deputy Monitoring Officer, introduced Paper JAC/17/7 which reported on Code of Conduct complaints received or determined since the previous report to Committee. Members were aware that any severe complaints would be drawn specifically to their attention.

RESOLVED

That the contents of Paper JAC/17/7 be noted.

18 JAC/17/8 FORWARD PLAN

Members had before them Paper JAC/17/8, which was updated at the meeting by the inclusion of the Annual Audit letter (November 2017) and the Annual Audit Plan 2017/18 (January 2018). It was confirmed that it is the Internal Audit Plan which will be considered at the January 2018 meeting. Members were reminded of the earlier deadlines which will apply to the 2017/18 Statement of accounts, with the need for the Related Party Transaction forms, completed by Members and senior staff, to be returned promptly after the end of the financial year.

RESOLVED

That Paper JAC/17/7 as updated above be noted.

The business of the meeting was concluded at 3.55 p.m.

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Chairman

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Agenda Item 7

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Cabinet Members - Finance	Report Number: JAC/17/10
To: Joint Audit and Standards Committee	Date of meeting: 13 November 2017

MID YEAR REPORT ON TREASURY MANAGEMENT 2017/18

1. Purpose of Report

- 1.1. The Code of Practice on Treasury Management requires local authorities to present a mid-year report on treasury management activities to those Members charged with scrutinising this area of activity. This report fulfils that requirement and sets out treasury management activities for the first half of 2017/18.

2. Recommendations

- 2.1 That Mid Suffolk District Council Treasury Management activity for the first six months of 2017/18 was in accordance with the approved Treasury Management Strategy, and that the Council has complied with all the Treasury Management Indicators for this period be recommended to Council for noting.
- 2.2 That Babergh District Council Treasury Management activity for the first six months of 2017/18 was in accordance with the approved Treasury Management Strategy, and that, except for one occasion when the Council exceeded their daily bank account limit with Lloyds by £120k for one day, as mentioned in Appendix D, paragraph 1.1., the Council has complied with all the Treasury Management Indicators for this period be recommended to Council for noting.

3. Financial implications

- 3.1 As outlined in this report.

4. Legal implications

- 4.1 There are no legal implications arising from this report.

5. Risk Management

5.1 This report is most closely linked with the Councils' Significant Business Risks no. 5f. If we do not understand our financial position and respond in a timely and effective way, then we will be unable to deliver the entirety of the Joint Strategic Plan. It should be noted that changes in funding requirements, interest rates and other external factors can impact on the medium term financial strategy and future budgets. Further key risks around treasury management, are set out below:

Risk description	Likelihood	Impact	Mitigation measures
If the Councils lose the investments they hold then the loss of income could impact on their ability to fund and deliver services.	Highly Unlikely (1)	Bad (3)	The Councils have strict lending criteria, investing only in high credit rated institutions.
If the Councils achieve a poor return on their investments, then there will be fewer resources available to deliver services (applicable to Babergh only).	Highly Unlikely (1)	Bad (3)	Focus is on security and liquidity, followed by yield, and careful cash flow management is undertaken throughout the year.
If the Councils have liquidity problems, then they will be unable to meet their short-term liabilities.	Unlikely (2)	Noticeable (2)	As above.
If the Councils incur higher than expected borrowing costs, then there will be fewer resources available to deliver services.	Unlikely (2)	Noticeable (2)	Research is undertaken to borrow at the lowest rates available. The Councils are able to borrow from the Public Works Loan Board (PWLB), whose rates are very low and can be on a fixed or variable basis.

6. Consultations

6.1 Regular meetings have taken place with our Treasury advisors, Arlingclose, who also provide important updates on treasury management issues as they arise.

7. Equality Analysis

7.1 There are no equality and diversity implications, as the contents and recommendations of this report do not impact on those with protected characteristics.

8. Shared Service / Partnership Implications

8.1 This is a joint report on activity. The Joint Treasury Management Strategy and related operations are handled by the integrated in-house Finance Team.

9. Links to Joint Strategic Plan

9.1 Ensuring that the Councils have the resources available is what underpins the ability to achieve the priorities set out in the Joint Strategic Plan.

10. Key Information

10.1 The Joint Treasury Management Strategy for 2017/18 was approved at each Full Council in February 2017.

10.2 Several factors affect the strategy and activities, including the regulatory framework, economic conditions, best practice and interest rate/liquidity risk. The attached appendices summarise the regulatory framework, economic background and information on key activities for the first six months of 2017/18.

10.3 The Joint Treasury Management outturn report for 2016/17 was presented to Members at the Joint Audit and Standards Committee on 17 July 2017.

10.4 The Treasury Management Indicators aim to ensure that the capital investments of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice.

10.5 Appendix D shows the position on key Treasury Management Indicators for the first six months of 2017/18.

10.6 The following key points relating to activity for the first half of the year are set out below:

- The UK economy has continued to grow but at a much slower pace in the first six months of 2017/18 with output growing by 0.2% in Q1 and 0.3% in Q2. However, the recent headlines for Q3 announced at the end of October indicate that this has increased to 0.4%.
- The result of the EU referendum has resulted in growth forecasts being downgraded as 2017 has progressed.
- Investment of surplus funds - As market conditions and credit ratings have changed during the year, institutions that the Councils invest with and the period of the investments have been reviewed.
- Credit risk scores were within the benchmark A- credit ratings.
- Babergh's debt reduced by £6.2m and Mid Suffolk's by £8.15m due to income exceeding expenditure, which is the normal cash flow profile.
- No new long-term external borrowing.

10.7 In terms of the investment of surplus funds, section 2.3 onwards in Appendix A sets out the issues that are impacting on current and future activity.

10.8 Money market funds, short-term deposits and call accounts are used to make short term investments on a daily basis.

11. Appendices

Title	Location
(a) Background, Economy and Outlook	Attached
(b) Debt Management	Attached
(c) Investment Activity	Attached
(d) Treasury Management indicators	Attached
(e) Glossary	Attached

12. Background Documents

None.

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Background, Economy and Outlook**1. Background**

- 1.1 Both Councils have adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* (the CIPFA Code) which requires the Councils to approve treasury management mid-year and annual outturn reports.
- 1.2 The Councils' Joint Treasury Management Strategy for 2017/18 was approved at full Council meetings held by each Council in February 2017.
- 1.3 The Councils define their treasury management activities in line with the CIPFA definition as: "the management of the organisation's investments and cash flows, it's banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance associated with those risks."
- 1.4 In addition to reporting on risk management related to treasury activities, the Treasury Management Code also requires the Councils to report on any financial instruments entered into to manage treasury risks.
- 1.5 Both Councils have borrowed and invested substantial sums of money and are therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to both Councils' treasury management strategy.
- 1.6 The instruments and the limits with individual counterparties approved in the 2017/18 Treasury Management Strategy of each Council are as follows:

Type of Instrument	Babergh Limit	Mid Suffolk Limit
Deposits with banks and building societies	£2m	£1m
AAA rated money market funds	£2m	£2m
Deposits with other local authorities	£1m	£1m
Treasury bills	No limit	No limit
Debt Management Account Deposit Facility	No limit	No limit
Pooled Funds	£5m	£5m
Registered Providers	£5m	£5m
Corporates	£1m	£1m

1.7 The total limits for non-specified investments are shown in the following below:

Non-Specified Investment Limits	Babergh & Mid Suffolk Limit
Total investments without credit ratings	£10m
Total non – specified investments	£10m
Total loans to unrated corporates	£1m

2. Economic Commentary

2.1 Economic Backdrop

2.1.1 Commodity prices fluctuated over the period with oil falling below \$45 a barrel before inching back up to \$58 a barrel. UK Consumer Price Inflation (CPI) index rose with the data print for August showing CPI at 2.9%, its highest since June 2013 as the fall in the value of sterling following the June 2016 referendum result continued to feed through into higher import prices. The new inflation measure CPIH, which includes owner occupiers' housing costs, was at 2.7%.

2.1.2 The unemployment rate fell to 4.3%, its lowest since May 1975, but the squeeze on consumers intensified as average earnings grew at 2.5%, below the rate of inflation. Economic activity expanded at a much slower pace as evidenced by Q1 and Q2 GDP growth of 0.2% and 0.3% respectively. With the dominant services sector accounting for 79% of GDP, the strength of consumer spending remains vital to growth. With household savings falling and real wage growth negative, there are concerns that these will be a constraint on economic activity in the second half of calendar year 2017.

2.1.3 The Bank of England made no change to monetary policy at its meetings in the first half of the financial year. The vote to keep Bank Rate at 0.25% narrowed to 5-3 in June highlighting that some MPC members were more concerned about rising inflation than the risks to growth. Although at September's meeting the Committee voted 7-2 in favour of keeping Bank Rate unchanged, the MPC changed their rhetoric, implying a rise in Bank Rate in "the coming months". The Council's treasury advisor Arlingclose are not convinced the UK's economic outlook justifies such a move at this stage, but the Bank's interpretation of the data seems to have shifted.

- 2.1.4 In contrast, near-term global growth prospects improved. The US Federal Reserve (Fed) increased its target range of official interest rates in June for the second time in 2017 by 25bps (basis points) to between 1% and 1.25% and, despite US inflation hitting a soft patch with core CPI at 1.7%, a further similar increase is expected in its December 2017 meeting. The Fed also confirmed that it would be starting a reversal of its vast Quantitative Easing programme and reduce the \$4.2 trillion of bonds it acquired by initially cutting the amount it reinvests by \$10bn a month.
- 2.1.5 Geopolitical tensions escalated in August as the US and North Korea exchanged escalating verbal threats over reports about enhancements in North Korea's missile programme. The provocation from both sides helped wipe off nearly \$1 trillion from global equity markets but benefited safe-haven assets such as gold, the US dollar and the Japanese yen. Tensions remained high, with North Korea's threat to fire missiles towards the US naval base in Guam, its recent missile tests over Japan and a further testing of its latent nuclear capabilities.
- 2.1.6 Prime Minister Theresa May called an unscheduled General Election in June, to resolve uncertainty but the surprise result has led to a minority Conservative government in coalition with the Democratic Unionist Party. This clearly results in an enhanced level of political uncertainty. Although the potential for a so-called hard Brexit is diminished, lack of clarity over future trading partnerships, in particular customs agreements with the rest of the EU block, is denting business sentiment and investment. The reaction from the markets on the UK election's outcome was fairly muted, business confidence now hinges on the progress (or not) of Brexit negotiations, the ultimate 'divorce bill' for the exit and whether new trade treaties and customs arrangements are successfully concluded to the UK's benefit.
- 2.1.7 In the face of a struggling economy and Brexit-related uncertainty, Arlingclose expects the Bank of England to take only a very measured approach to any monetary policy tightening, any increase will be gradual and limited as the interest rate backdrop will have to provide substantial support to the UK economy through the Brexit transition.

2.2 **Financial Markets**

- 2.2.1 Gilt yields displayed significant volatility over the six-month period with the appearing change in sentiment in the Bank of England's outlook for interest rates, the push-pull from expectations of tapering of Quantitative Easing (QE) in the US and Europe and from geopolitical tensions, which also had an impact. The yield on the 5-year gilts fell to 0.35% in mid-June, but then rose to 0.80% by the end of September. The 10-year gilts similarly rose from their lows of 0.93% to 1.38% at the end of the quarter, and those on 20-year gilts from 1.62% to 1.94%.

2.2.2 The FTSE 100 nevertheless powered away reaching a record high of 7548 in May but dropped back to 7377 at the end of September. Money market rates have remained low: 1-month, 3-month and 12-month LIBID rates have averaged 0.25%, 0.30% and 0.65% over the period from January to 21 September.

2.3 **Credit Background**

2.3.1 UK bank credit default swaps continued their downward trend, reaching three-year lows by the end of June. Bank share prices have not moved in any particular pattern.

2.3.2 There were a few credit rating changes during the quarter. The significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities. Moody's downgraded Standard Chartered Bank's long-term rating to A1 from Aa3 on the expectation that the bank's profitability will be lower following management's efforts to de-risk their balance sheet. The agency also affirmed Royal Bank of Scotland's and NatWest's long-term ratings at Baa1, placed Lloyds Bank's A1 rating on review for upgrade, revised the outlook of Santander UK plc, and Nationwide and Coventry Building Society from negative to stable but downgraded the long-term rating of Leeds BS from A2 to A3.

2.3.3 Ring-fencing, which requires the larger UK banks to separate their core retail banking activity from the rest of their business, is expected to be implemented within the next year. In May, Arlingclose advised the Councils to reduce the maximum duration of unsecured investments with Bank of Scotland, HSBC Bank and Lloyds Bank from 13 months to 6 months, as until banks' new structures are finally determined and published, the different credit risks of the 'retail' and 'investment' banks cannot be known for certain. Neither council has placed investments with these banks during the first half of the year.

2.3.4 The new EU regulations for Money Market Funds (MMFs) were finally approved and published in July and existing funds will have to be compliant by no later than 21 January 2019. The key features include Low Volatility Net Asset Value (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to be converted to the LVNAV structure and awaits confirmation from each fund.

3. Outlook for the remainder of 2017/18

- 3.1 The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Both consumer and business confidence remain subdued. Household consumption growth, the driver of UK GDP growth, has softened following a contraction in real wages. Savings rates are at an all-time low and real earnings growth (i.e. after inflation) struggles in the face of higher inflation.
- 3.2 This decision is still very data dependant and Arlingclose are, for now, maintaining its central case for Bank Rate at 0.25% whilst introducing near-term upside risks to the forecast as shown below. Arlingclose's central case is for gilt yields to remain broadly stable across the medium term, but there may be near term volatility due to shifts in interest rate expectations.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Official Bank Rate													
Upside risk	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Downside risk	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25

4. Regulatory Updates

4.1 MiFID II

- 4.1.1 Local authorities are currently treated by regulated financial services firms (the firm) as professional clients who can “opt down” to be treated as retail clients instead. However, from 3 January 2018, as a result of the second Markets in Financial Instruments Directive (MiFID II), local authorities will be treated as retail clients who can “opt up” to be professional clients, providing that they meet certain criteria. Regulated financial services firms include banks, brokers, advisers, fund managers and custodians, but only where they are selling, arranging, advising or managing designated investments. In order to opt up to professional, the Councils must have an investment balance of at least £10 million each and the person authorised to make investment decisions on behalf of the Councils must have at least one year's relevant professional experience. In addition, the firm must assess that that person has the expertise, experience and knowledge to make investment decisions and understand the risks involved.
- 4.1.2 The main additional protection for retail clients is a duty on the firm to ensure that the investment is “suitable” for the client. However, local authorities are not protected by the Financial Services Compensation Scheme nor are they eligible to complain to the Financial Ombudsman Service whether they are retail or professional clients.

- 4.1.3 It is also likely that retail clients will face increased costs and potentially restricted access to certain products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice. The Councils have declined to opt down to retail client status in the past as the costs were thought to outweigh the benefits.
- 4.1.4 Both councils meet the conditions to opt up to professional status and intend to do so to maintain their current MiFID status.

4.2 CIPFA Consultation on Prudential and Treasury Management Codes

- 4.2.1 In February 2017 CIPFA canvassed views on the relevance, adoption and practical application of the Treasury Management and Prudential Codes and after reviewing responses they launched a further consultation on changes to the codes in August with a deadline for responses of 30 September 2017. Both Councils submitted a response to the consultation, which can be found on our website.
- 4.2.2 The proposed changes to the Prudential Code include the production of a new high-level Capital Strategy report to Full Council which will cover the basics of the capital programme and treasury management. The prudential indicators for capital expenditure and the authorised borrowing limit would be included in this report but other indicators may be delegated to another committee. There are plans to drop certain prudential indicators, however local indicators are recommended for ring fenced funds (including the HRA) and for group accounts. Other proposed changes include applying the principles of the Code to subsidiaries.
- 4.2.3 Proposed changes to the Treasury Management Code include the potential for non-treasury investments such as commercial investments in properties in the definition of “investments” as well as loans made or shares bought for service purposes. Another proposed change is the inclusion of financial guarantees as instruments requiring risk management and addressed within the Joint Treasury Management Strategy. Approval of the technical detail of the Joint Treasury Management Strategy may be delegated to a committee rather than needing approval of Full Council. There are also plans to drop or alter some of the current treasury management indicators.
- 4.2.4 CIPFA intends to publish the two revised Codes towards the end of 2017 for implementation in 2018/19, although CIPFA plans to put transitional arrangements in place for reports that are required to be approved before the start of the 2018/19 financial year. The Department of Communities and Local Government (DCLG) and CIPFA wish to have a more rigorous framework in place for the treatment of commercial investments as soon as is practical. It is understood that DCLG will be revising its Investment Guidance (and its MRP guidance) for local authorities in England.

5. Local Context

- 5.1 On 31 March 2017 Babergh had net borrowing of £76.739m and Mid Suffolk £96.235m, arising from their revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Underlying need to borrow

Balance Sheet Summary	31.3.17 Babergh £m	31.3.17 Mid Suffolk £m
General Fund CFR	18.609	22.241
HRA CFR	86.253	86.759
Total CFR	104.862	109.000
(Less): Usable reserves	(22.254)	(22.723)
(Less) / Add: Working capital	(5.869)	9.958
Net borrowing	76.739	96.235

- 5.2 The Councils strategy is to maintain borrowing and investments below their underlying levels (as shown in Appendix D), sometimes known as internal borrowing, to reduce risk and keep interest costs low. The treasury management position at 30 September 2017 and the change over the first half of the year is shown in Table 2 below.

Table 2: Treasury Management Summary

Babergh	31.3.17 Balance £m	Movement £m	30.9.17 Balance £m	30.9.17 Rate %
Long-term borrowing	86.797	(0.250)	86.547	3.21%
Short-term borrowing	6.000	(6.000)	0.000	0.43%
Total borrowing	92.797	(6.250)	86.547	
Long-term investments	9.638	0.000	9.638	5.80%
Short-term investments	2.700	2.100	4.800	0.18%
Cash and Cash equivalents	3.389	(2.515)	0.874	0.14%
Total Investments	15.727	(0.415)	15.312	
Net borrowing	77.070		71.235	

Appendix A

Mid Suffolk	31.3.17 Balance £m	Movement £m	30.9.17 Balance £m	30.9.17 Rate %
Long-term borrowing	74.887	(0.650)	74.237	3.55%
Short-term borrowing	22.500	(7.500)	15.000	0.34%
Total borrowing	97.387	(8.150)	89.237	
Long-term investments	9.642	0.000	9.642	5.79%
Short-term investments	3.300	(0.300)	3.000	0.22%
Cash and Cash equivalents	2.586	0.019	2.605	0.14%
Total Investments	15.528	(0.281)	15.247	
Net borrowing	81.859		73.990	

1. Debt Management

- 1.1 At 30 September 2017 Babergh held £86.547m of loans, a decrease of £6.25m on 31 March 2017. Mid Suffolk held £89.237m of loans, a decrease of £8.15m, due to income exceeding expenditure, which is the normal cash flow profile. These decreases reflect the changes for funding of the previous years' capital programmes. The borrowing position at 30 September 2017 is show in Table 3 below.

Table 3: Borrowing Position at 30th September 2017

Babergh	31.3.17 Balance	Movement	30.9.17 Balance	30.9.17 Weighted Average Rate	30.9.17 Weighted Average Maturity years
	£m	£m	£m	%	
Public Works Loan Board	86.797	(0.250)	86.547	3.21%	15.54
Local authorities (short term)	6.000	(6.000)	0.000	0.43%	0
Total borrowing	92.797	(6.250)	86.547		

Mid Suffolk	31.3.17 Balance	Movement	30.9.17 Balance	30.9.17 Weighted Average Rate	30.9.17 Weighted Average Maturity years
	£m	£m	£m	%	
Public Works Loan Board	70.887	(0.650)	70.237	3.52%	19.30
Banks (LOBO)	4.000	0.000	4.000	4.21%	60.92
Local authorities (short term)	22.500	(7.500)	15.000	0.34%	0.06
Total borrowing	97.387	(8.150)	89.237		

- 1.2 The Councils objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans being a secondary objective.
- 1.3 All new loans for Babergh and Mid Suffolk were taken as short term local authority borrowing to take advantage of low interest rates during the first half of 2017/18. This strategy enabled the Councils to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The "cost of carry" analysis performed by the Councils treasury management advisor Arlingclose did not indicate any value in borrowing in advance for future years' planned expenditure and therefore none was taken.
- 1.4 Mid Suffolk continues to hold £4million of LOBO loans (Lender's Option Borrower's Option) where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The bank did not exercise their option in the first half of 2017/18.

1. Investment Activity

- 1.1 At 30 September, the Councils held £15.312m and £15.247m invested funds respectively, representing income received in advance of expenditure plus balances and reserves held.
- 1.2 During the first half of 2017/18 the Councils investment balances ranged between £12.457m and £21.156m for Babergh, and between £12.068m and £22.556m for Mid Suffolk, due to timing differences between income and expenditure.

The investment position during the half year is shown in Table 4 below.

Table 4: Investment Position

Babergh	31.3.17 Balance	Movement	30.9.17 Balance	30.9.17 Weighted Average Rate
	£m	£m	£m	%
Banks and Building Societies	1.389	(0.515)	0.874	0.15%
Government	2.000	(2.000)	0.000	0.10%
Money Market Funds	2.700	2.100	4.800	0.18%
Other Pooled Funds	9.638	0.000	9.638	5.80%
Total Investments	15.727	(0.415)	15.312	

Mid Suffolk	31.3.17 Balance	Movement	30.9.17 Balance	30.9.17 Weighted Average Rate
	£m	£m	£m	%
Banks and Building Societies	0.586	2.019	2.605	0.15%
Government	2.000	(2.000)	0.000	0.10%
Money Market Funds	3.300	(0.300)	3.000	0.22%
Other Pooled Funds	9.642	0.000	9.642	5.79%
Total Investments	15.528	(0.281)	15.247	

- 1.3 Both the CIPFA Code and government guidance require the Councils to invest their funds prudently, and to have regard to the security and liquidity of their investments before seeking the highest rate of return, or yield. The Councils objectives when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Appendix C

- 1.4 Babergh and Mid Suffolk have both followed the approved treasury strategy and maintained investment in long term pooled funds. These funds have generated higher returns for the Councils in a period when interest rates are falling. The remaining investments are short term and highly liquid to ensure both Councils can meet their liabilities.
- 1.5 As a result, investment risk was diversified while the average rate of return has increased from 3.69% to 4.69% for Babergh and from 3.50% to 4.93% for Mid Suffolk over the 6-month period to 30th September 2017. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking

Babergh	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
31.03.2017	4.81	A+	61%	71	3.69%
30.06.2017	5.53	A	88%	61	4.78%
30.09.2017	5.29	A+	90%	61	4.69%
Similar LAs	4.39	AA-	65%	108	1.43%
All LAs	4.44	AA-	64%	40	1.12%

Mid Suffolk	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
31.03.2017	4.63	A+	59%	66	3.50%
30.06.2017	5.29	A+	88%	63	4.87%
30.09.2017	5.25	A+	90%	62	4.93%
Similar LAs	4.39	AA-	65%	108	1.43%
All LAs	4.44	AA-	64%	40	1.12%

- 1.6 Babergh has £9.638m of externally managed pooled equity, property and multi asset funds which generated an average total income return of £722k (5.8%) which is used to support service provision.
- 1.7 Mid Suffolk has £9.642m of externally managed pooled equity, property and multi asset funds which generated an average total income return of £576k (5.79%), which is used to support service provision.
- 1.8 These funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Councils' investment objectives are regularly reviewed.

2. Long Term Investments - Pooled Fund Performance

- 2.1 Babergh and Mid Suffolk both have investments in pooled funds to generate an income return. Table 6 below is a summary of performance by fund from initial investment date until the most recent valuation available and details of interest received.

Table 6: Pooled Funds

Fund	Babergh	Mid Suffolk
	£	£
CCLA		
Amount invested	5,000,000	5,000,000
Value at 30.6.2017	4,815,884	4,741,395
Movement	(184,116)	(258,605)
Interest earned to 30.6.2017	464,347	411,187
Average return	5.07%	4.93%
UBS		
Amount invested	2,000,000	2,000,000
Value at 30.6.2017 BDC; 25.8.2017 MSDC	2,015,736	2,012,566
Movement	15,736	12,566
Interest earned to 30.6.2017	136,507	40,448
Average return	3.90%	4.04%
Schroders		
Amount invested	2,000,000	2,000,000
Value at 5.4.2017	1,975,408	1,975,408
Movement	(24,592)	(24,592)
Interest earned to 30.5.2017	82,610	82,610
Average return	8.26%	8.26%
Funding Circle		
Amount invested	638,000	642,000
Value at 4.10.2017	627,615	632,572
Movement	(10,385)	(9,428)
Interest earned to 30.6.2017	38,220	41,807
Average return	3.59%	3.90%
Total Pooled Funds		
Amount invested	9,638,000	9,642,000
Values	9,434,644	9,361,942
Movement	(203,357)	(280,058)
Interest earned	721,683	576,051
Average return	5.39%	5.37%

Appendix C

- 2.2 The two councils invested in CCLA on different dates (Babergh on 31 August 2015 and Mid Suffolk on 31 October 2015), so each purchased a different number of units. This is reflected in the latest values of the investments.
- 2.3 Both councils invested in Schrodgers Income Maximiser Fund on 6 February 2017 and the first returns, in April 2017, included a valuation (equalisation) adjustment.
- 2.4 The performance of the Funding Circle has not met initial expectations either financially or in the support of local businesses.
- 2.5 Average returns have fallen from 8.92% to 3.59% for Babergh and from 8.86% to 3.90% for Mid Suffolk since December 2015, mainly due to bad debts not recovered.
- 2.6 The initial investment was intended to go to support local businesses, but take up has been much lower than anticipated and most loans have been allocated to the National, rather than the Local account.
- 2.7 Since the initial investment into Funding Circle, the system for bidding for allocations has changed. The original method was a manual allocation of funds based on areas of business and credit ratings of the Councils choosing.
- 2.8 Two new options for automatic bidding have been introduced. One retains the same level of risk as present (A to A+) but with lower returns, expected to be in the range of only 3-4%. The other is investing in potentially lower credit rated, higher risk businesses (A to E) with higher returns (estimated at 7%). In both options, the Councils would not be able to choose where funds are allocated.
- 2.9 Both options expose the Councils to loss of control, higher risk to retain the same level of returns or the same risk level for reduced returns. None of these fit the Councils' investment strategy.
- 2.10 Continued membership of the Funding Circle is now under review. It is anticipated that as the current outstanding loans are paid off there will be no further reinvestment into the funds. Alternative solutions will be investigated.

3. Other Investment Activity

- 3.1 On 5 August 2016 Babergh purchased Borehamgate Shopping centre in Sudbury for £3.56million. This has been classified as an investment property and on 31 March 2017, the District Valuer assessed its Fair Value at £4million.
- 3.2 Net Income, after deducting direct costs, was £143k in 2016/17 and for the first half year of 2017/18 is £134k.
- 3.3 If CIPFA's proposed amendments to the Treasury Management Code are adopted in the revised Code from 2018/19, investment properties will henceforth be included in the expanded definition of "investments".

1. Treasury Management Indicators

- 1.1 The Section 151 Officer is pleased to report that, except for one occasion for Babergh, all treasury management activities undertaken during the first half of 2017/18 complied fully with the CIPFA Code of Practice and the Councils approved Treasury Management Strategy. Babergh exceeded their daily bank account limit with Lloyds by £120k for one day. Compliance with specific investment limits is demonstrated in Table 7 below.

Table 7: Investment Limits

Babergh	Actual Maximum	30.9.17 Actual	2017/18 Limit	Complied
Lloyds Bank	£2.12m	£874k	£2m	x
Money market funds	45%	31%	50%	✓
DMADF	£2m	Nil	No limit	✓
CCLA	£5m	£5m	£5m	✓
UBS	£2m	£2m	£5m	✓
Schroder	£2m	£2m	£5m	✓
Funding Circle	£638k	£638k	£1m	✓

Mid Suffolk	Actual Maximum	30.9.17 Actual	2017/18 Limit	Complied
Lloyds Bank	£899k	£855k	£1m	✓
Barclays Bank	£1m	£1m	£1m	✓
Svenska Handelsbanken	£750k	£750k	£1m	✓
Money market funds	36%	19.68%	50%	✓
DMADF	£6.5m	Nil	No limit	✓
CCLA	£5m	£5m	£5m	✓
UBS	£2m	£2m	£5m	✓
Schroder	£2m	£2m	£5m	✓
Funding Circle	£642k	£642k	£1m	✓

- 1.2 Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 8 below.

Table 8: Debt Limits

Borrowing	Actual Maximum	30.9.17 Actual	2017/18 Operational Boundary	2017/18 Authorised Limit	Complied
Babergh	£92.797m	£86.547m	£123m	£126m	✓
Mid Suffolk	£100.387m	£89.237m	£127m	£130m	✓

Appendix D

- 1.3 Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

2. Exposure to Treasury Management Risk

- 2.1 The Councils measure and manage their exposure to treasury management risks using the following indicators.

- 2.2 **Security:** The Councils have adopted a voluntary measure of their exposure to credit risk by monitoring the value-weighted average credit score of their investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Portfolio Average Credit Score	30.9.17 Actual	2017/18 Target	Complied
Babergh	5.29	7.0	✓
Mid Suffolk	5.25	7.0	✓

- 2.3 **Interest Rate Exposures:** This indicator is set to control the Councils exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed was:

Babergh	30.9.17 Actual	2017/18 Target	Complied
Upper limit on fixed interest rate exposure	£86.547m	£123m	✓
Upper limit on Variable interest rate exposure	(£15.312m)	£35m	✓

Mid Suffolk	30.9.17 Actual	2017/18 Target	Complied
Upper limit on fixed interest rate exposure	£74.237m	£127m	✓
Upper limit on Variable interest rate exposure	(£247k)	£40m	✓

- 2.4 Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Appendix D

- 2.5 **Maturity Structure of Borrowing:** This indicator is set to control the Councils exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

Babergh	30.9.17 Actual	Lower Limit	Upper Limit	Complied
Under 12 months	0.00%	0	50%	✓
12 months and within 24 months	0.00%	0	50%	✓
24 months and within 5 years	2.08%	0	50%	✓
5 years and within 10 years	13.87%	0	100%	✓
10 years and within 20 years	82.78%	0	100%	✓
20 years and within 30 years	0.00%	0	100%	✓
30 years and above	1.27%	0	100%	✓

Mid Suffolk	30.9.17 Actual	Lower Limit	Upper Limit	Complied
Under 12 months	0.00%	0	50%	✓
12 months and within 24 months	0.00%	0	50%	✓
24 months and within 5 years	1.62%	0	50%	✓
5 years and within 10 years	20.21%	0	100%	✓
10 years and within 20 years	40.41%	0	100%	✓
20 years and within 30 years	21.16%	0	100%	✓
30 years and above	16.61%	0	100%	✓

- 2.6 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.
- 2.7 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Councils exposure to the risk of incurring losses by seeking early repayment of their investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

Actual Principal invested beyond year end	2017/18	2018/19	2019/20
Babergh Actual	Nil	Nil	Nil
Mid Suffolk Actual	Nil	Nil	Nil
Limit on principal invested beyond year end	£2m	£2m	£2m
Babergh Complied	✓	✓	✓
Mid Suffolk Complied	✓	✓	✓

Glossary of Terms

CFR	Capital Financing Requirement. The underlying need to borrow to finance capital expenditure.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services.
CLG	Department for Communities and Local Government. This is a ministerial department.
CPI	Consumer Price Index. This measures changes in the price level of consumer goods and services purchased by households.
CPIH	Consumer Price Index Housing. A measure of consumer price inflation including a measure of owner occupiers' housing costs (OOH).
CCLA	Churches, Charities and Local Authority Property Fund
DMADF	Debt Management Account Deposit Facility.
GDP	Gross Domestic Product. This is the market value of all officially recognised goods and services produced within a country in a given period of time.
HRA	Housing Revenue Account. The statutory account to which revenue costs are charged for providing, maintaining and managing Council dwellings. These costs are financed by tenants' rents.
LIBID	London Interbank Bid Rate. The interest rate at which banks bid to take short-term deposits from other banks in the London interbank market.
LOBO	Lender's Option Borrower's Option. This is a loan where the lender has certain dates when they can increase the interest rate payable and, if they do, the Council has the option of accepting the new rate or repaying the loan.
LVNAV	Low Volatility Net Asset Value. A new type of Low Volatility Net Asset Value Money Market Fund - a new fund category introduced as part of a new regulatory reform of the sector in Europe.
MiFiD	The Markets in Financial Instruments Directive (2014/65/EU) (MiFID II). The EU legislation that regulates firms who provide services to clients linked to 'financial instruments' (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded.
MPC	Monetary Policy Committee. A committee of the Bank of England which decides the Bank of England's Base Rate and other aspects of the Government's Monetary Policy.

Appendix E

MRP	Minimum Revenue Provision. Local authorities are required to make a prudent provision for debt redemption on General Fund borrowing
NAV	Net Asset Value. The NAV is the value of a fund's assets less the value of its liabilities on a per unit basis.
PWLB	Public Works Loan Board - offers loans to local authorities below market rates.
QE	Quantitative Easing. The purchase of Government bonds by the Bank of England to boost the money supply.
T Bills	Treasury Bill. A short-term Government Bond.
UBS	UBS Multi Asset Income Fund (UK) – a pooled fund.

Agenda Item 8

BABERGH AND MID SUFFOLK DISTRICT COUNCILS

From: Cabinet Members - Finance	Report Number: JAC/17/11
To: Joint Audit and Standards Committee	Date of meeting: 13 November 2017

JOINT ANNUAL AUDIT LETTER FOR THE YEAR 2016/17

1. Purpose of Report

- 1.1 To approve the joint external auditor's Annual Audit Letter for the year ended 31 March 2017 for Babergh District Council and Mid Suffolk District Council.

2. Recommendation

- 2.1 That the joint external auditor's Annual Audit Letter for 2016/17, as set out in Appendix A be approved.

3. Financial Implications

- 3.1 The scale fees as set by Public Sector Audit Appointments (PSAA Ltd) was reported in the Joint Audit Plan presented to the Joint Audit and Standards Committee meeting on 13 March 2017.
- 3.2 During the audit of 2016/17, additional work was undertaken on Property, Plant and Equipment disclosures, payroll analytics and working papers which will result in additional fees of £3k for each Council. (These are currently subject to agreement with PSAA Ltd).
- 3.3 Certification of housing benefits subsidy claims takes place during October and November for completion by 30 November 2017. The fees for the certification of grant claims is based on the indicative scale fee set by PSAA Ltd. The actual fees will be reported to Committee following the issue of the auditor's certification report in January 2018.

4. Legal Implications

- 4.1 There are no legal implications arising from this report.

5. Risk Management

- 5.1 This area is not regarded as a significant business risk on the Integrated Significant Business Risk Register. Specific risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If there are material misstatements in the accounts or non-compliance with accounting requirements, then this could result in a possible 'qualified' audit opinion or unfavourable audit report.	2-Unlikely	2/3- Noticeable / Bad	Aim to obtain an unqualified 'true and fair' opinion from the external auditors as a result of: <ul style="list-style-type: none"> • Clear arrangements for ensuring compliance with accounting requirements. • Analytical review of the outturn against previous year and the Budget. • Early discussion on key issues with the auditors.
If issues or concerns are raised by the public from the right to inspect the accounts then this could have an impact on the Council's reputation	2-Unlikely	1-Minimal	Open and transparent arrangements and publication of the public's right to inspect the accounts.

6. Consultations

6.1 None

7. Equality Analysis

7.1 None

8. Shared Service / Partnership Implications

8.1 Ernst and Young LLP audit both Councils' accounts and grant claims and a joint Annual Audit Letter has been prepared by the external auditors.

9. Links to Joint Strategic Plan

9.1 There are no direct links to the Joint Strategic Plan from this report. The Annual Audit Letter provides the Councils with independent assurance over their governance arrangements in relation to the production of the opinion of the final accounts and value for money conclusion. These help to demonstrate sound financial management practices which support the Councils through their aims and objectives set out in the Joint Strategic Plan, including ensuring the long term financial sustainability of the Councils.

10. Key Information

10.1 The joint Annual Audit Letter (AAL) draws on conclusions from the audit of the Councils. Initial findings from the work of external audit were reported to the Joint Audit and Standards Committee on 29 September 2017, where the Audit Results Report, issued on 20 September, was discussed.

10.2 The AAL for 2016/17 is set out in Appendix A. It confirms that the external auditors issued an unqualified opinion in respect of both Councils' financial statements and an unqualified opinion on value for money.

10.3 The key points raised by the AAL are:

- an unqualified opinion on the financial statements and consistency with other published financial statements
- the Councils have proper arrangements in place to secure value for money
- the Joint Annual Governance Statement is consistent with the auditor's understanding of the Councils.
- there is nothing to report on matters relating to
 - the public interest,
 - written recommendations to the Councils, or
 - actions under the Local Audit & Accountability Act 2014.
- both Councils are below the audit threshold for the Whole of Government Accounts and therefore no audit procedures have been performed.

11. Appendices

Title	Location
Appendix A External Auditor's Joint Annual Audit Letter for 2016/17	Attached

Authorship:

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Babergh District Council & Mid Suffolk District Council

Annual Audit Letter for the year ended 31 March 2017

October 2017

Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk)

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

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Babergh District Council and Mid Suffolk District Council (the Councils) following completion of our audit procedures for the year ended 31 March 2017. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Councils as at 31 March 2017 and of its expenditure and income for the year then ended
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Governance Statement	The Joint Annual Governance Statement was consistent with our understanding of the Councils.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, copied to the Secretary of State	We had no matters to report.
▶ Other actions in relation to our responsibilities under the Local Audit & Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Councils are below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation packs.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued our Audit Results Report on 20 September 2017 and discussed it with the Joint Audit and Standards Committee on 29 September 2017.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	We issued our certificate on 29 September 2017.

In January 2018 we will also issue a report to those charged with governance of the Councils summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Councils' staff for their assistance during the course of our work.

Suresh Patel

Associate Partner
For and on behalf of Ernst & Young LLP, Appointed Auditor

Purpose & responsibilities



Purpose and responsibilities

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Councils. We have already reported the detailed findings from our audit work in our 2016/17 Audit Results Report to the 29 September 2017 Joint Audit and Standards Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Councils.

Responsibilities of the Appointed Auditor

Our 2016/17 audit work has been undertaken in accordance with the Joint Audit Plan that we presented to the Joint Audit and Standards Committee meeting on 13 March 2017 and is conducted in accordance with the National Audit Office's (NAO) 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the NAO. As auditors we are responsible for:

- ▶ Expressing an opinion on the 2016/17 financial statements; and on the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the NAO on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Responsibilities of the Councils

The Councils are responsible for preparing and publishing statements of accounts accompanied by an Annual Governance Statement. In the AGS, each Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period. Each Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

Financial Statement Audit

Financial Statement Audit

Key Issues

The Councils' Statements of Accounts are an important tool for the Councils to show how they have used public money and how they can demonstrate their financial management and financial health. We audited the Councils' Statement of Accounts in line with the NAO's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the NAO and issued an unqualified audit report on 29 September 2017, reporting detailed findings to the 29 September 2017 Joint Audit and Standards Committee. Key issues identified were:

Significant Risk	Conclusion
<p>Risk of fraud in revenue recognition</p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>Having assessed the key income and expenditure streams of each council, we judge that there is opportunity and incentive for the incorrect classification of revenue spend as capital expenditure.</p>	<p>We have tested revenue recognition and cut off as part of income and expenditure testing and have not identified any issues with classification or recognition of expenditure.</p> <p>We have reviewed capital expenditure on property plant and equipment and found no significant issues with the classification as capital expenditure.</p>
<p>Risk of management override</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>We obtained a full list of journals posted during the year, analysed them using criteria to identify any unusual types or amounts. We then tested a sample to supporting documentation.</p> <p>The most significant accounting estimates in the financial statements relate to the net pension liability and property valuations. We challenged the significant movement in the actuarial valuation and found no indication of management bias in these estimates. We also found no indication of management bias to the property valuation balances presented within the financial statements.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override or any transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>

Other key findings	Conclusion
<p>Accounting for Property, Plant and Equipment (PPE)</p> <p>PPE represents a significant balance in each of the Councils accounts and are subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end fair value balances disclosed in the balance sheet.</p> <p>The Councils engage an external expert valuer who applies a number of complex assumptions. Annually, assets are assessed to identify whether there is any indication of impairment.</p> <p>As both Councils asset bases are significant, and the outputs from the valuer are subject to estimation, there is a risk PPE may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>This risk relates to assets that are revalued, being 'Other land and Buildings' and 'Council Dwellings'. Vehicles, plant & equipment, Community assets and Assets under Construction</p>	<p>We gained assurance that the valuations in the fixed asset register accurately reflect the District Valuer's valuations.</p> <p>We identified no significant issues from our testing of journals, supporting spreadsheets and derivation of accounting entries.</p> <p>We gained assurance that all upward and downward revaluations were posted appropriately in accordance with the Code and in amounts that agreed to the District Valuer's valuations.</p>
<p>Pension Valuations and Disclosures</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. Both of the Councils current pension fund deficits are a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>At 31 March 2017 this totalled £21.863 million (£18.952 million at 31 March 2016) for Babergh District Council and £29,806 million (£25,044 million at 31 March 2016) for Mid Suffolk District Council. The information disclosed is based on the IAS 19 reports issued to the Councils by the actuary to the administering body, Suffolk County Council.</p> <p>Accounting for this scheme involves significant estimation and</p>	<p>Our approach has focused on:</p> <ul style="list-style-type: none"> • Liaising with the auditors of the Suffolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Babergh District Council and Mid Suffolk District Council. • Assessing the conclusions drawn on the work and assumptions used by Hymans Robertson (the Pension Fund actuary) by using and reviewing the work of the Consulting Actuary commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, PwC. • Reviewing and testing the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19. <p>We have considered the assumptions used by the actuary and adopted by the Councils and conclude that they are generally acceptable.</p> <p>Assurance was obtained from the pension scheme auditor with no issues</p>

judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

arising.

Pension disclosures were in line with the CIPFA disclosure checklist.

Financial statements presentation – Expenditure and funding analysis and Comprehensive income and expenditure statement

New reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements. The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates and reflects the Authority's internal financial reporting structure.

This change in the Code has required a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives has also required audit review.

Our audit approach has focused on:

- Reviewing the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the Code;
- Reviewing the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect each Councils organisational structure and how overheads are apportioned across the service areas reported; and
- Agreeing the restated comparative figures back to each Councils segmental analysis and supporting working papers.
- We proposed some minor disclosure amendments that management agreed to make in the financial statements. In particular we noted that the EFA, although positioned amongst them, is not a Primary Statement (consistent with the Code Guidance notes). As such the narrative to the EFA was updated to reflect this.

We concluded that the disclosures were in line with the CIPFA Code of Practice.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality and reporting thresholds	<p>For Babergh District Council we planned our procedures using a materiality of £1.090mn. The threshold for reporting audit differences was £54,500.</p> <p>For Mid Suffolk District Council we planned our procedures using a materiality of £1.155mn. The threshold for reporting audit differences was £57,000.</p> <p>The basis of our assessment of materiality has remained consistent with prior years at 2% of gross revenue expenditure. We consider Gross Expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of each Council.</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits: we audited all disclosures and undertook procedures to confirm material completeness.
- Related party transactions: we audited all disclosures and undertook procedures to confirm material completeness.
- Councillors' allowances: we agreed the amounts disclosed in the financial statements to those on the Council's website and carried out substantive testing.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations. There were no uncorrected misstatements.

A close-up, shallow depth-of-field photograph of a stack of coins. The coins are stacked vertically, with the edges of several coins visible. The lighting is warm, highlighting the metallic texture and the ridges on the edges. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Value for Money'.

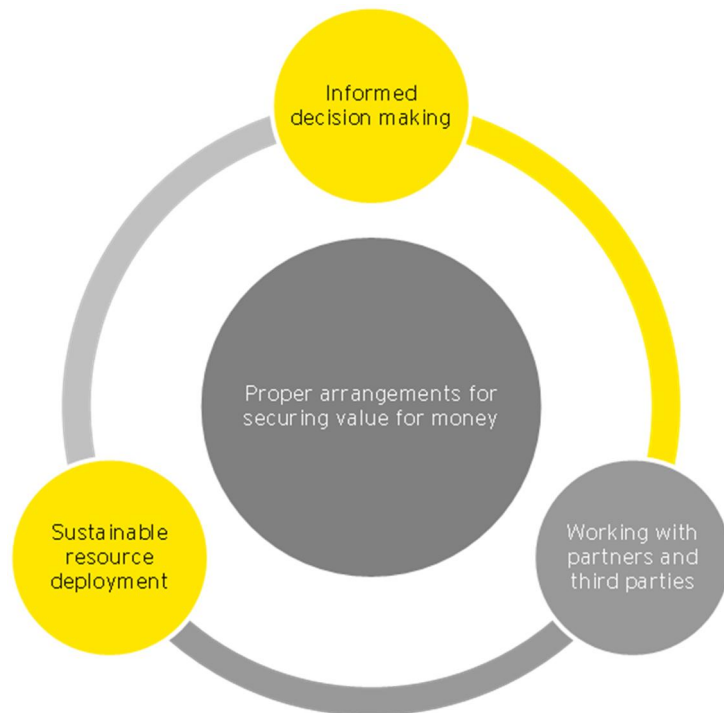
Value for Money

Value for Money

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

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

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



We did not identify any significant risks in relation to these criteria.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 29 September 2017.

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading. Management amended the annual government statement for a minor omission from the Code of Practice.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 (2014 Act) to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public. We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the 2014 Act to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response. We did not identify any issues which required us to issue a written recommendation.

Objections Received & other powers and duties

We did not receive any objections to the 2016/17 financial statements from member of the public. We also identified no issues during our audit that required us to use our additional powers under the 2014 Act.

Independence

We communicated our assessment of independence in our Audit Plan and Audit Results Report to the 13 March 2017 and 29 September 2017 Joint Audit and Standards Committees respectively. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

A close-up photograph of a person's face as they look through a pair of black binoculars. The person's eyes are focused on the lenses. A bright yellow rectangular box is overlaid on the left side of the image, containing the text "Focused on your future". The background is a soft, out-of-focus white.

Focused on your
future

Focused on your future

Area	Issue	Impact
<p>Earlier deadline for production and audit of the financial statements from 2017/18</p>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year.</p> <p>From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Councils have commenced taking steps in 2016/17. For example, they have started to critically review and amend the closedown process to achieve earlier draft accounts production.</p> <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> • Issued a thought piece on early closedown; • As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales; and • Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017. <p>Locally, we are engaging in discussions with the Councils and, following the completion of the 2016/17 audit, we are agreeing areas of early substantive testing for 2017/18. With management’s input, we will continue to develop this approach to bring forward our audit work during the 2017/18 audit.</p>

Appendix A

Audit Fees



Appendix A Audit Fees

The scale fee is set by the PSAA and was reported in the Joint Audit Plan that we presented to the Joint Audit and Standards Committee meeting on 13 March 2017. We set out below the fees for the year ended 31 March 2017.

Description	Final Fee 2016/17 £	Planned Fee 2016/17 £	Scale Fee 2016/17 £	Final Fee 2015/16 £
Babergh District Council				
Total Audit Fee – Code work	51,812*	48,812	48,812	52,312
Audit Fee – Certification of claims and Total returns	To be confirmed**	17,250	17,250	23,051
Non-audit work	TBC***	TBC	n/a	2,200
Mid Suffolk District Council				
Total Audit Fee – Code work	46,425*	43,425	43,425	46,925
Audit Fee – Certification of claims and Total returns	To be confirmed**	18,926	18,926	18,665
Non-audit work	TBC***	TBC	n/a	1,700

* Our actual fee will be higher than the scale fee set by the Public Sector Audit Appointments (PSAA Ltd) due to additional work to agreeing and testing Property, Plant and Equipment disclosures, obtaining, reviewing and finalising the Council's payroll analytics data, and resolving key working paper issues on some key areas of testing. We have agreed with the Assistant Director – Corporate Resources an additional audit fee of £3,000 for Babergh District Council and £3,000 for Mid Suffolk District Council. These additional scale fees are subject to agreement with PSAA Ltd.

** Our certification of the housing benefits claim takes place in October and November 2017. We will confirm the final fees charged in our certification report to be issued to the Councils in January 2018.

*** The 2015/16 fee for non-audit work relates to agreed procedures work covering the pooling of capital receipts return to the Department for Communities and Local Government. A variation letter and an engagement letter are due to be issued to auditors shortly covering the 2016/17 return. Auditors cannot start any work on this return until these documents have been finalised.

EY | Assurance | Tax | Transactions | Advisory

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Agenda Item 9

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Corporate Manager – Internal Audit	Report Number: JAC/17/12
To: Joint Audit and Standards Committee	Date of meeting: 13 November 2017

INTERIM INTERNAL AUDIT REPORT 2017/18

1. Purpose of Report

- 1.1 The purpose of this report is to inform Councillors of the work undertaken within Internal Audit for the first part of 2017/18 and provides Councillors with a review of the variety and scope of projects and corporate activities which are supported through the work of the team.

2. Recommendation

- 2.1 That the contents of this report, supported by Appendix A, be noted.

3. Financial Implications

- 3.1 There are no direct financial implications arising from this report. All Internal Audit recommendations must be considered in terms of their cost effectiveness.

4. Legal Implications

- 4.1 There are no direct legal implications arising from this report.

5. Risk Management

- 5.1 This report is not linked with any of the Council's Significant Business Risks. The key risk, however, is set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Internal controls within each Council may not be efficient and effective. As a result each Council may not identify any significant weakness that could impact on the achievement of their aims and/or lead to fraud, financial loss or inefficiency.	Unlikely	Bad	Councillors receive and approve the internal audit work programme and other reports on internal controls throughout the year. The work programme is based on an assessment of risk for each system or operational area.

6. Consultations

- 6.1 The 2017/18 Internal Audit Plan was approved by the Joint Audit and Standards Committee on 13 March 2017 (Paper JAC100), having previously been endorsed by the S151 Officer and the Senior Leadership Team.
- 6.2 During preparation this report has been shared with both Chairs of the Joint Audit and Standards Committee; both Council's Leaders; the Section 151 Officer; and the Assistant Director, Law and Governance and Monitoring Officer.

7. Equality Analysis

- 7.1 There are no equality implications with this report.

8. Shared Service / Partnership Implications

- 8.1 The overall approach has been to develop a single shared model for internal audit delivery and management for both Councils.
- 8.2 The Internal Audit delivery builds on past joint working facilitating the integration of the service with the aim of reducing costs and increasing capacity and resilience. It enables both Councils to be in a position to improve service delivery through advocating, supporting and reviewing system processes and outcomes.

9. Links to Joint Strategic Plan

- 9.1 The delivery of a comprehensive Internal Audit service supports the Council objectives, in particular:

An enabled and efficient organisation – The right people are doing the right things, in the right way, at the right time, for the right reasons.

However, the internal audit coverage is designed to support all five of the Council's strategic themes.

10. Key Information

- 10.1 Requirement of Internal Audit - Public Sector Internal Audit Standards (PSIAS)

The PSIAS require the Corporate Manager – Internal Audit to report periodically to senior management and this Committee on Internal Audit's performance relative to its Internal Audit Plan including significant risk exposures and control issues where relevant, fraud risks and governance issues.

As part of the preparation for the 2017/18 Internal Audit Plan, auditors engaged with senior management to identify their view of the coming year's risks linked to the Joint Strategic Plan and Delivery Programme, and to gather and map management assurance across the Councils' functions. (Details are contained in the 2017/18 Internal Audit Plan - 13th March 2017, Paper JAC100).

- 10.2 As the Councils' Delivery Programme continues and re-shapes and transform its services the demand on Internal Audit's services to provide assurance, support and guidance on a diverse range of activities continues. The Corporate Manager – Internal Audit monitors requests, with a risk based approach, for the re-allocation of Internal Audit resources from the approved 2017/18 Internal Audit Plan.

This Plan has had to be further reviewed subsequent to the loss of a full time member of the Internal Audit Team. The Corporate Manager – Internal Audit and the Councils’ S151 Officer consider that the temporary realignment of resources will not detrimentally impact on the overall audit opinion on the Councils’ control environment provided by the Corporate Manager – Internal Audit for the present period, although a watchful eye will be maintained.

10.3 Full audits conducted are split into two types, Fundamental and non-Fundamental (Risk Audit) reviews. Historically, Fundamental reviews had been conducted in the latter half of the financial year to meet with External Audit testing requirements. These audits are planned to be materially completed by the end of 2017, primarily to assist the Finance team in their preparation for punctual closing of the 2017/18 Accounts.

10.4 This year all of the planned Internal Audit work has been associated with the Councils’ five strategic themes and the attached report, Appendix A, provides a summary of the work undertaken to date, by theme. This work will contribute to the 2017/18 overall Internal Audit opinion on the Councils’ control environment provided by the Corporate Manager – Internal Audit, as required by the Accounts and Audit (England) Regulations 2015.

11. Appendices

Title	Location
Appendix A - Overview of Internal Audit Work	Attached

12. Background Documents

12.1 There are no further documents.

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Appendix A

Overview of Internal Audit Work 2017/18

1. Introduction

The work completed by Internal Audit for the first six months of the Financial Year 2017/18 (up to 30th September 2017), and progress made towards achieving the Internal Audit Plan for the year, is reported here to the Joint Audit and Standards Committee.

2. Internal Audit Activity

As well as conducting audit reviews Internal Audit had significant involvement within the period in a variety of different Council activities/issues, which included:

Section Reference:

- 3 Council Governance**
- 4 Risk Management**
- 5 Probity**
- 6 Audits conducted**
 - 6.1 Assets and investment**
 - 6.2 Business growth and increased productivity**
 - 6.3 Community capacity building and engagement**
 - 6.4 Housing delivery**
 - 6.5 An enabled and efficient organisation**
- 7 Business support activities**

3 Council Governance

3.1 The Corporate Manager–Internal Audit continues as a lead in the Information Governance management across the Councils, as an attendee of the Information Governance Group. An aim is to outline an information governance framework that ensures both Councils treat information as a valuable asset, maintain compliance with relevant UK and European Union legislation, for example the Data Protection Act 1998 (DPA) and meet other governance requirements. The DPA will be replaced on 25 May 2018 by the Information Governance General Data Protection Regulation (GDPR). An audit review of the Councils' ability to comply with the requirements of the GDPR has been undertaken, and is summarised in section 6.5.1 below.

3.2 Annual Governance Statement (AGS)

Internal Audit has led on the production of the AGS which was completed again as at the end of the financial year 2016/17, presented to this Committee on 15 May 2017 (Paper JAC105), alongside an Assurance Mapping exercise across the Councils designed to identify gaps in good practice and aid the 2017/18 Internal Audit planning process. The outcome of the planning was reported to this Committee on 13th March 2017 (Paper JAC100).

3.3 All Together Programme Board

The Corporate Manager – Internal Audit attends in the capacity of the Assurance Manager.

3.4 Health and Safety Working Group

The Corporate Manager – Internal Audit is called to attend this meeting at appropriate times to provide, and ensure, a robust process exists for risk identification and information gathering.

3.5 Statutory Officers Working Group

The Corporate Manager – Internal Audit attends this meeting when required, should Governance matters arise that require appropriate professional determination.

3.6 Deputy Monitoring Officer

The Corporate Manager - Internal Audit was appointed to the role of Deputy Monitoring Officer for the Councils, with the specific duty to ensure that the Councils, their officers, and Elected Councillors, maintain the highest standards of conduct in all they do, pursuant to Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000. A number of cases have been dealt with since the appointment.

4 Risk Management

4.1 Internal Audit continues to maintain and facilitate development of the Significant Risk register with Councillors and Senior Management. As a living document Internal Audit regularly review the content with management. The register was reported to the May 2017 meeting of the JASC. (15th May 2017 Paper JAC106) this has been subject to further review and refinement during the present period and will be presented to Cabinet Committees in November 2017.

4.2 The Internal Audit team have arranged a 'Reputational Risk' workshop to be held in November 2017 and key senior officers are attending. This aims to give a greater understanding to one of the many kinds of risk areas the Councils are exposed to and how best to manage this.

4.3 Internal Audit continues work to embed risk and support officers when completing risks in Committee Reports which are subject to Internal Audit sign off in addition to legal and finance.

4.4 To ensure risk is at the forefront of decision making, Internal Audit have a presence on a number of working groups for large areas work e.g. Commercial Delivery. Guidance and challenge in these areas help to ensure a robust decision making process.

5 Probity

5.1 The data requirements and data specifications for the 2016/17 National Fraud Initiative (NFI) exercise have now been completed and successfully uploaded using the NFI's secure electronic upload facility.

The release of matches of information across all the contributors data is managed on a risk based approach by the system users, supported by Internal Audit. The system users access their data from the NFI and can investigate, in conjunction with the matched partner / contributor, to evaluate the potential fraud indicated by the match.

- 5.2 Full details of the anti-fraud and corruption work undertaken during the year is reported annually to this Committee in a report entitled 'Managing the Risk of Fraud and Corruption. The last report was for 2016/17 and presented on 13th March 2017 (Paper JAC99).
- 5.3 The Councils' Protection of Financial Crime Policy has been revised and updated (to reflect the amendments by the Serious Crime Act 2015 and the Public Contracts Regulations 2015) and published on the Councils' intranet, 'Connect'. These changes are insignificant and have no impact on the content of the policy.

6 Audits conducted

The audits conducted have previously been reported as either 'Fundamental / Core Financial Systems Audit' or 'Risk Audit' reviews. In line with the current year's Internal Audit Plan this format has been replaced by reporting associated with all five of the Council's strategic themes. The audits are summarised below.

6.1 Assets and investment

"Improved achievement of strategic priorities and greater income generation through use of new and existing assets ('Profit for Purpose')".

- 6.1.1 The 'Treasury' and 'Receivables' audits are presently undergoing field work and testing.
- 6.1.2 No other Internal Audit work has yet been undertaken in this Strategic theme. There are a number of pieces of Audit work in plan for the second half of the financial year, namely: Local Taxation; Capital Accounting; Payroll; and Investments.

6.2 Business growth and increased productivity

"Encourage development of employment sites and other business growth, of the right type in the right places and encourage investment in skills and innovation in order to increase productivity".

6.2.1 Fees and Charges

The Final report has been issued. Whilst there were no council service areas identified where statutory products and services could be developed a number of financial controls were identified as 'Ineffective'. Findings include:

The allocation of costs to cost centres (both direct and indirect) are undertaken in a general manner. This poor allocation means it is not possible to accurately determine appropriate costs against income generation, and therefore no contribution or profit can be determined by product. This makes effective comparison with external organisations' levels of service meaningless, as too many assumptions would need to be made on the available data.

The auditee response included “The findings, whilst not unknown by Finance due to Business Partner meetings, provided confirmation of identified weaknesses within the budgetary control environment which need further strengthening. A more robust challenge by Finance Business partners and Head of Finance will commence.”

6.2.2 The ‘Procurement’ and ‘Payables’ audits are planned for the second half of the year.

6.3 Community capacity building and engagement

“All communities are thriving, growing, healthy, active and self-sufficient”.

6.3.1 Safeguarding.

This Audit is presently at Draft report stage, with the initial discussion of findings sent to Managers on 9th October.

6.3.2 Health and Safety

This Audit was initially to review the Councils’ management of the new regulations and inspections regarding Hand Arm Vibration Syndrome. (HAVS). However, it has been determined that as actions by management are presently being implemented an audit will not need to be done until 18/19. Allowance will be made for this in next year’s Audit Plan.

6.3.3 There is Audit work in plan for the second half of the financial year, including: Neighbourhood Development Plans (NDP / NHP); Community Infrastructure Levy (CIL); and Redesign an integrated Planning Service.

6.4 Housing delivery

“More of the right type of homes, of the right tenure in the right place”.

6.4.1 Open Housing IT developments.

With the large number of IT system tasks that urgently need to be completed to improve the Capita Open Housing system Internal Audit have engaged with relevant Officers to monitor the governance and controls exercised over the work. This has included attending workshops and meetings, and gaining access to project documentation. The appointment of a project manager to manage the developments should improve the control environment. This audit engagement continues.

6.4.2 Asbestos Management

This review is included in the 2017/18 Internal Audit Plan, and initial steps were taken to commence the review. However, management engaged external consultants 4i Solutions to undertake a review of housing compliance, and their brief is relevant to Health and Safety. As a consequence this audit was held over awaiting the preliminary outcome. It has been determined that the Audit this year be spent on undertaking a review of H&S risk assessments across the 2 Councils.

6.4.3 Disabled Facilities Grants

A declaration, required for each of Babergh and Mid Suffolk, regarding the use of Disabled Facilities Grant's has been completed and submitted to the Department for Communities and Local Government. An audit review of applications for appropriateness and compliance was made prior to the approval of the return and 'signed off' by the Corporate Manager – Internal Audit.

6.4.4 The remaining planned audits will be undertaken in the second half of the year. These include Housing Benefits; Housing Rents; Supported Living; and Fixed and Flexible Tenancies.

6.5 **An enabled and efficient organisation**

"The right people are doing the right things, in the right way, at the right time, for the right reasons and are able to prove it".

6.5.1 Information Governance General Data Protection Regulation (GDPR).

GDPR will come into force in the UK on 25 May 2018 and will replace the Data Protection Act 1988. The new regulations are an evolution of existing UK data protection law and aim to harmonise data protection laws across the European Union and put individuals in control of their data.

From the discussion and review of the Councils' readiness to implement the regulations we can conclude that we appear to be 'behind the curve' in our ability to meet the May 2018 deadline.

Whilst this review was not reported in standard Internal Audit format the report found that majority of 'Steps to compliance' are 'Not implemented or planned'. The Councils appear under staffed and require resource in completing, what can be anticipated to be, a large body of work up to May 2018 and which will need to be passed to a competent role to maintain and sustain after implementation.

Subsequent to the Audit Report the SLT have approved a Project Manager to assist / support implementation of GDPR.

6.5.2 Scanning.

Internal Audit has been providing advice and assistance to Officers establishing scanning protocols and guidance once staff relocate to Endeavour House. Such protocols include handling of sensitive post, tender documents, etc, in line with good practice. No formal report will arise from this.

6.5.3 Capita Financial Systems Upgrade

This upgrade was undertaken in conjunction with Capita support, who host the BMSDC system and platform. The Audit identified no material risks to service delivery, cash receipting and payment mechanisms, as there is no impact expected on the processes outside of the Integra Systems. This upgrade is one applying to the 'front end' only. Data Tables and interfaces should not be impacted by this realignment. The upgrade was successfully launched on 28th June 2017, and the Audit review reported the controls as Effective.

6.5.4 Shared Revenues Partnership

Ipswich Borough Council Audit Team undertake review of Shared Revenues Partnership Key Controls, which provides the Corporate Manager – Internal Audit with assurance on the controls exercised over income processing. They have now issued their report for 2016/17, which has an overall opinion of 'Good'. *(All controls are being applied consistently and effectively. This means that all the control areas in the audit are being properly managed and the associated risks are being mitigated.)* The report stated that no areas of weakness and/or non-compliance with existing controls were identified and therefore no recommendations have been made.

6.5.5 Electoral Expenses

This is presently at Draft stage, with the initial discussion of findings sent to Managers on 11th October. This work was not a planned audit and will not carry an Internal Audit Opinion.

6.5.6 Termination Letters

This is presently at Draft stage, with the initial discussion of findings sent to Managers on 4th October. This work was not a planned audit and will not carry an Internal Audit Opinion.

6.5.7 General Ledger

This Audit is underway, with the initial brief being agreed with the Auditee staff. Initial testing has commenced.

7 Business support activities

7.1 Internal Audit aim to retain close working relationships with colleagues, and have provided support and advice on proposed system and control developments, enhancements and changes, including budgetary control; systems administration; project and asset management; procurement; and health and safety.

7.2 Business Continuity

Internal Audit has worked with business managers to update the Councils' and individual departmental business continuity plans in preparation for the move to Endeavour House. These are now completed. The current plans for Needham Market and Hadleigh Offices, along with the future plan for Endeavour House, are published on Connect. The Plans are "corporate" documents which give guidance to senior managers tasked with leading recovery activities and prioritising resources in the event of an incident.

Another Business Continuity desk top exercise will take place in the New Year, testing the Endeavour House plan in practice.

8. Resources

The Internal Audit team has lost a full time resource and one part-time member of staff has temporarily increased hours by 11 hours per week until March 2018. This net reduction in staff necessitated a review and reassessment of the agreed 2017/18 Internal Audit Plan. (The revised plan of work is attached in the Annex). The Corporate Manager – Internal Audit and the Councils' S151 Officer consider that the temporary realignment of resources will not detrimentally impact on the overall Internal Audit opinion on the Councils' control environment provided by the Corporate Manager – Internal Audit for the present period. The Corporate Manager – Internal Audit maintains a watchful eye on the delivery of the plan to ensure that coverage and the consequent annual audit opinion are not compromised. In total 126 Internal Audit days have been removed from the original 2017/18 Internal Audit plan.

The impact on the Internal Audit work planned for 2017/18 is shown below, with more detail in the Annex:

	Planned days
Original Internal Audit days in the plan agreed by JASC in March 2017:	775
Planned Internal Audit days completely withdrawn from plan:	(51)
Planned Internal Audit days reduced from original plan:	(75)
Revised Internal Audit days available to the plan:	649

9 Professional Practice

9.1 Membership of audit bodies

It is important to keep abreast of best professional practice. Internal Audit has strong links with audit colleagues both within Suffolk and nationally and are members of the Suffolk Working Audit Partnership (SWAPs) and the Midland Audit Group.

9.2 Public Sector Internal Audit Standards (PSIAS)

The team have fully reviewed their working practices to ensure that our Internal Audit documents and processes comply with, and can be evidenced to, the PSIAS. This has resulted in a refining of the Internal Audit Charter Strategy; Internal Audit Services Manual; Internal Audit Risk Log; Quality Assurance and Improvement Programme; procedure notes; and working papers. These documents have been published on the Councils' intranet, 'Connect'.

10 Conclusions

The Corporate Manager – Internal Audit considers that there are no additional audit related issues that currently need to be brought to the attention of this Committee.

ANNEX 1

Audits removed from Internal Audit Plan for 2017/18			
All audits to include control environment, good practice and transformational aspects			
Audit	Days	Key areas	Intended benefits to the Council
Assets and investment – Improved achievement of strategic priorities and greater income generation through use of new and existing assets ('Profit for Purpose')			
	0		
Business growth and increased productivity – Encourage development of employment sites and other business growth, of the right type in the right places and encourage investment in skills and innovation in order to increase productivity			
Miscellaneous income streams: cf: Tourist Information Centres and Waste collection centres	6	Procedures in operation to manage, billing, fees and collecting payments - linked to finance systems for recording and collection.	R Verify that all income is appropriately recognised, collected and reported.
	6	Business growth and increased productivity planned days	
Community capacity building and engagement – All communities are thriving, growing, healthy, active and self-sufficient			
Neighbourhood Development Plans (NDP / NHP)	15	Localism- creation of mini plans - Review the process re decisions, overviews, external examinations, Council exposure - key risks Governance, Legal and Financial.	R Support the development of suitable housing in the area, the development of businesses and the operational development of the Council through challenge of the identification and management of risks and procedures associated with the changes.
	15	Community capacity building and engagement planned days	
Housing delivery – More of the right type of homes, of the right tenure in the right place			
Fixed term /flexible tenancies	10	Introduction of fixed term/flexible tenancies which the government are proposing. Not too much is known at this time regarding how much discretion we as an authority will have and how much will be governed by legislation. There will be a knock on effect on the tenancy agreements which will need redesigning involving consultation with Legal plus the IT system could need changing	D
	10	Housing delivery planned days	
An enabled and efficient organisation – The right people are doing the right things, in the right way, at the right time, for the right reasons and are able to prove it			
Operational financial indicators	15	Balanced scorecard? Review of the MI and associated challenge arising from the finance engagement model and it's support to Service Managers.	R Outcomes can include an improved control environment, enhanced management information and streamlined processes thereby improving organisational efficiency.
Budgetary Control	5	Review & critique of finance implementation of new module and associated processes.	D In addition these reviews provide governance assurance to the S151 Officer and Senior Management.
	20	An enabled and efficient organisation planned days	
Other Audit Activity			
	0		
			F Fundamental Audit (Annual requirement to support s151 & External Audit)
	51	Planned work descoped due to unforeseen resource shortages.	R Risk Audit (high risk but scope to reprioritise to reflect changing requirements)
			D Delivery Programme - Project Support
			M Management and review (Risk management, monitoring, fraud)

Audits with reduced time in the Internal Audit Plan for 2017/18

All audits to include control environment, good practice and transformational aspects

Audit	Days removed	Key areas	Intended benefits to the Council
Assets and investment – Improved achievement of strategic priorities and greater income generation through use of new and existing assets ('Profit for Purpose')			
Capital Accounting	-4	Capital program and asset management, including changes in Housing Management Accounting.	F
Income Collection / Cash & Bank - new cash module in General Ledger	-5	Payment methods, channel shift, unsolicited transactions, Payment Card Industry Data Security Standards.	F
Treasury Management	-4	Corporate Cash Management and links to funding of business strategy.	F
Investment and Development Strategy effectiveness and efficiency	-20	The Asset Strategy will ensure that the use of the Councils' property portfolio is maximised, demonstrating that assets are performing well in terms of support for service delivery, generating income, and are as efficient as possible in terms of outgoings; and land and surplus buildings are used to support strategic priorities. Also inc CIF	D
	-33	Assets and investment	
Business growth and increased productivity – Encourage development of employment sites and other business growth, of the right type in the right places and encourage investment in skills and innovation in order to increase productivity			
	0	Business growth and increased productivity	
Community capacity building and engagement – All communities are thriving, growing, healthy, active and self-sufficient			
Safeguarding & vulnerable adults - S11 reporting.	-4	S11 reporting to Safeguarding board. Assurance audit re best practice, reporting processes, staff awareness and understanding.	R
	-4	Community capacity building and engagement planned days	
Housing delivery – More of the right type of homes, of the right tenure in the right place			
Supported living	-9	Areas of Housing, Asset Management, HRA to consider and discuss in detail with Managers.	R
Asbestos management	-3	Review asbestos information given to BMBS (Babergh & MS building services???) and external contractors when emergency/out of hours repairs are required	R
	-12	Housing delivery	

An enabled and efficient organisation – The right people are doing the right things, in the right way, at the right time, for the right reasons and are able to prove it			
IT	-5	ICO Healthcheck for the General Data Protection Regulation	F
General Ledger	-3	Integrity of financial information, management of the system. Migrated system and new modules.	F
Health and Safety	-3	Compliance and substantive testing of Health and Safety processes and records to confirm compliance with Council Policy. Audit will work alongside the Health and Safety Officer to support and challenge new initiatives.	R
Business Continuity	-8	Produce and maintain a joint BCP, Annually refresh critical missions, facilitate update of action cards, training and awareness. Venue change specific issues.	R
	-19	An enabled and efficient organisation	
Other Audit Activity			
Follow Ups	-7	Implementation of audit recommendations deemed as high risk.	R
	-7	Other Audit Activity	
			F Fundamental Audit (Annual requirement to support s151 & External Audit)
			R Risk Audit (high risk but scope to reprioritise to reflect changing requirements)
Reduction of Planned Days	-75	Reduction in Planned work due to unforeseen resource shortages.	D Delivery Programme - Project Support
			M Management and review (Risk management, monitoring, fraud)

Revised Internal Audit Plan for 2017/18				
All audits to include control environment, good practice and transformational aspects				
Audit	Days	Key areas	Intended benefits to the Council	
Assets and investment – Improved achievement of strategic priorities and greater income generation through use of new and existing assets ('Profit for Purpose')				
Capital Accounting	9	Capital program and asset management, including changes in Housing Management Accounting.	F	
Local Taxation (covering Council Tax & NDR)	6	Shared Revenue Partnership feeder systems and reconciliations.	F	Covering statutory work in conjunction with External Audit. The beneficial outcomes can include an improved control environment, enhanced management information and streamlined processes thereby improving organisational efficiency. In addition these reviews provide governance assurance to the S151 Officer and Senior Management. Fraud may be identified as a consequence of this work.
Receivables / Debtors	10	Income management, inc. debt recovery - how fed back to business by finance and managed by service areas. <i>Inc VAT analysis on income.</i>	F	
Payroll/HR	9	Starters; Leavers; and variation to pay. - Link into SCC as new payroll providers.	F	
Income Collection / Cash & Bank - new cash module in General Ledger	11	Payment methods, channel shift, unsolicited transactions, Payment Card Industry Data Security Standards.	F	
Treasury Management	7	Corporate Cash Management and links to funding of business strategy.	F	
Investment and Development Strategy effectiveness and efficiency	10	The Asset Strategy will ensure that the use of the Councils' property portfolio is maximised, demonstrating that assets are performing well in terms of support for service delivery, generating income, and are as efficient as possible in terms of outgoings; and land and surplus buildings are used to support strategic priorities. Also inc CIF	D	
	62	Assets and investment planned days		
Business growth and increased productivity – Encourage development of employment sites and other business growth, of the right type in the right places and encourage investment in skills and innovation in order to increase productivity				
Procurement	20	Compliance testing against new procurement framework / guidance. <i>Inc VAT on spend.</i>	F	Gain assurance of the veracity of the procurement processes and procedures implemented across the business to ensure that the right people are doing the right things, in the right way, at the right time, for the right reasons and are able to prove it.
Analysis and review of business principles in setting Fees and Charges	15	Setting of Fees and charges strategy, review of regulatory constraints, market challenges and consider if pricing set to recover costs or results in subsidy of the service.	R	Outcomes can include an improved control environment, enhanced management information and streamlined processes thereby improving organisational efficiency. In addition these reviews provide governance assurance to the S151 Officer and Senior Management.
Payables / Creditors	11	Transparency, cash flow, fraud (links to procurement).	F	Covering statutory work in conjunction with External Audit. The beneficial outcomes can include an improved control environment, enhanced management information and streamlined processes thereby improving organisational efficiency. In addition these reviews provide governance assurance to the S151 Officer and Senior Management
	46	Business growth and increased productivity planned days		
Community capacity building and engagement – All communities are thriving, growing, healthy, active and self-sufficient				
Redesign an integrated Planning Service	6	Provide control assurances around: data load validation.	D	Safeguarding the assets and incomes to the Council to support the drive to an enabled and efficient organisation, funding business development and support to the community. Advise on making the system fit for purpose in supporting smooth business growth and housing development across the districts. Community capacity building and engagement – All communities are thriving, growing, healthy, active and self-sufficient
Community Infrastructure Levy (CIL)	10	Review significant governance and efficiency issues. Administration of CIL funds to enable sustainable growth, including Expenditure and Governance models.	R	
Safeguarding & vulnerable adults - S11 reporting.	11	S11 reporting to Safeguarding board. Assurance audit re best practice, reporting processes, staff awareness and understanding.	R	
	27	Community capacity building and engagement planned days		

Housing delivery – More of the right type of homes, of the right tenure in the right place

Housing Rents	10	Income collection, rent setting. - effectiveness of new IT systems & processes.	F	Covering statutory work in conjunction with External Audit. The beneficial outcomes can include an improved control environment, enhanced management information and streamlined processes thereby improving organisational efficiency.
Housing Benefits	6	Shared Revenue Partnership feeder systems and reconciliations.	F	In addition these reviews provide governance assurance to the S151 Officer and Senior Management. Fraud may be identified as a consequence of this work.
Disabled facilities grant	3	<i>New - time taken from Payables & Cap A/c - Analysis for SCC Grant application to Govt on grants awarded by BMSDC</i>	R	
Supported living	5	Areas of Housing, Asset Management, HRA to consider and discuss in detail with Managers.	R	Ensure that the changes safeguard assets and incomes to the Council to support the drive to an enabled and efficient organisation, funding business development and support to the community. Advise on making the system fit for purpose in supporting smooth business growth and housing development across the districts.
Asbestos management	7	Review asbestos information given to BMBS (Babergh & MS building services???) and external contractors when emergency/out of hours repairs are required	R	
Open Housing Phase 2	10	Look at management of project, esp integrity of controls to commitment of monies (procurement), budget management etc Links to procurement and finance systems .	D	Safeguarding the assets and incomes to the Council to support the drive to an enabled and efficient organisation, funding business development and support to the community. Advise on making the system fit for purpose in supporting smooth business growth and housing development across the districts.
	41	Housing delivery planned days		
An enabled and efficient organisation – The right people are doing the right things, in the right way, at the right time, for the right reasons and are able to prove it				
Make use of leading edge business systems	10	Information Governance - Sensitive and personal information relating the Councils' businesses is handled in a confidential and secure manner.	R	Gain assurance of the veracity of the processes and procedures implemented across the business to ensure that the right people are doing the right things, in the right way, at the right time, for the right reasons and are able to prove it.
IT	6	ICO Healthcheck for the General Data Protection Regulation	F	
General Ledger	8	Integrity of financial information, management of the system. Migrated system and new modules.	F	In addition these reviews provide governance assurance to the S151 Officer and Senior Management
Health and Safety	22	Compliance and substantive testing of Health and Safety processes and records to confirm compliance with Council Policy. Audit will work alongside the Health and Safety Officer to support and challenge new initiatives.	R	Provide comfort to Management that the Councils' are fulfilling their legislative duties and that the welfare of staff is being met. Determine the Council's resilience of and compliance with legislation.
Payment card procedural changes Allpay project post review.	3	Effective receipting, banking and financial recording of cash payments -link to Income Audit.	D	
Integra Migration	5	Upgrade of the system to Integra 2 and implementation of the cash system module.	D	
Business Continuity	52	Produce and maintain a joint BCP, Annually refresh critical missions, facilitate update of action cards, training and awareness. Venue change specific issues.	R	This work supports the governance and effective operation of the organisation and can aid with the security of assets. It will further provide information and feedback to Members and Officers, as well as ensuring the Councils meet the reporting requirements of statutory and Local Government bodies.
	106	An enabled and efficient organisation planned days		

Other Audit Activity				
Work in progress from previous year	5	Finalisation of any outstanding work. Liaison with External Auditors over review of internal audit work.	R	Covering statutory work in conjunction with External Audit. The beneficial outcomes can include an improved control environment, enhanced management information and streamlined processes thereby improving organisational efficiency
Follow Ups	2	Implementation of audit recommendations deemed as high risk.	R	
Requests for support from management	24	Unplanned investigations assessing the impact on controls and processes through specific events.	M	Provide comfort to Management that the Council's are fulfilling their legislative and fiduciary duties, and determine the Council's resilience of and compliance with legislation.
Deputy Monitoring Role	100	Work to be undertaken by the Corporate Manager - Internal Audit.	M	
Annual Governance Statement	20	Collation, interpretation, challenge and presentation of management opinion of control assurance and governance across the Councils.	M	
Anti-Fraud & Corruption work including the National Fraud Initiative (NFI)	50	Proactive: Money Laundering, Policy reviews, Advice and guidance - awareness, Staff training. NFI Data monitoring. Reactive: Investigations. Data matching (statutory requirement).	R	
Management	35	Service delivery (Cttee reports / Planning)	M	Supports the governance and effective operation of the organisation and can aid with the security of assets. It will further provide information and feedback to Members and Officers, as well as ensuring the Councils meet the reporting requirements of statutory and Local Government bodies.
5 Yr Quality review -(new one off)	11	Self assessment review of audit delivery. - add in review of WPs, Audit Manual and Charter.	M	
Risk Management	120	Committee report cycle – Executive and Strategy half yearly and JASC annually. Review and challenge of Significant Risk Register. Training, advice and guidance to members & officers. Annual review joint Risk Management Strategy.	M	
	367	Other Audit Activity planned days		
Days in plan	649			
		F	Fundamental Audit (Annual requirement to support s151 & External Audit)	
		R	Risk Audit (high risk but scope to reprioritise to reflect changing requirements)	
		D	Delivery Programme - Project Support	
		M	Management and review (Risk management, monitoring, fraud)	

Draft Circulation:

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Agenda Item 11

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Corporate Manager – Democratic Services	Report Number: JAC/17/
To: Joint Audit and Standards Committee	Date of Meeting: 13 November 2017

JOINT AUDIT AND STANDARDS COMMITTEE FORWARD PLAN 2017/18

Date of Committee – 15 January 2018

Topic	Purpose	Lead Officer
Treasury Management Strategy	For comment and agreement	Corporate Manager – Financial Services
Audit Plan 2017/18	For comment and agreement	Corporate Manager – Internal Audit
Constitutional Update	To agree any Constitutional amendments as reported by the Monitoring Officer	Monitoring Officer
Complaints Monitoring report	To note	Monitoring Officer

Date of Committee – 12 March 2018

Topic	Purpose	Lead Officer
Certification of Claims and Returns	To note	Ernst and Young
Managing the Risk of Fraud and Corruption - Annual Report	For comment and agreement	Corporate Manager – Internal Audit
Internal Audit Plan	For comment and agreement	Corporate Manager – Internal Audit
Constitutional Update	To agree any Constitutional amendments as reported by the Monitoring Officer	Monitoring Officer

Date of Committee – 14 May 2018

Topic	Purpose	Lead Officer
Joint Annual Governance Statement	For comment and agreement	Corporate Manager – Internal Audit
Annual Internal Audit Report	For comment and agreement	Corporate Manager – Internal Audit
End of Year Significant Risks	For comment and agreement	Corporate Manager – Internal Audit
Constitutional Update	To agree any Constitutional amendments as reported by the Monitoring Officer	Monitoring Officer
Complaints Monitoring report	To note	Monitoring Officer

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