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COMMITTEE: **JOINT AUDIT AND STANDARDS COMMITTEE**

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

DATE: **Monday, 12 March 2018
at 10.15 am**

Members

Babergh

Clive Arthey
Tony Bavington
Sue Burgoyne
Tom Burrows

Frank Lawrenson (Chair)
Mark Newman
William Shropshire
Stephen Williams

Mid Suffolk

Michael Burke
John Levantis
John Matthissen
Lesley Mayes

Suzie Morley (Chair)
Dave Muller
Mike Norris
Kevin Welsby

A G E N D A

| ITEM | BUSINESS | PAGES |
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|------|----------|-------|

PART 1

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/17/17 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 15 JANUARY 2018 1 - 6

4 PETITIONS

The Corporate Manager – Democratic Services to report, in accordance with Council's Rules of Procedure, the receipt of any petitions submitted to the Chief Executive.

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 | QUESTIONS BY COUNCILLORS | |
| | 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 | EXTERNAL AUDIT REPORTS | |
| | Suresh Patel from Ernst and Young will attend the meeting to present the following reports and answer Members' questions. | |
| a | JAC/17/18 Certification of Claims and Returns Annual Report 2016/17 | 7 - 16 |
| b | JAC/17/19 Joint Audit Plan 2017/18 | 17 – 54 |
| 8 | JAC/17/20 INTERNAL AUDIT PLAN 2018/19 | 55 - 62 |
| | Report by the Corporate Manager – Internal Audit attached. | |
| 9 | JAC/17/21 MANAGING THE RISK OF FRAUD AND CORRUPTION - ANNUAL REPORT 2017/18 | 63 - 72 |
| | Report by the Corporate Manager – Internal Audit attached. | |
| 10 | POSITION STATEMENT - RISK MANAGEMENT | |
| | Verbal update from Internal Audit. | |
| 11 | JAC/17/22 CODE OF CONDUCT COMPLAINTS MONITORING REPORT | 73 - 76 |
| | Report by the Monitoring Officer attached. | |
| 12 | JAC/17/23 FORWARD PLAN | 77 - 78 |
| | Report by the Corporate Manager – Democratic Services attached. | |

Note: The date of the next meeting is Monday 14 May 2018 commencing at 10.15 a.m.

Introduction to Public Meetings

Babergh/Mid Suffolk District Councils are committed to Open Government. The proceedings of this meeting are open to the public, apart from any confidential or exempt items which may have to be considered in the absence of the press and public.

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact the Governance Officer on: 01449 724681 or Email: Committees@baberghmidsuffolk.gov.uk

Domestic Arrangements:

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- Cold water is also available outside opposite the room.
- Please switch off all mobile phones or turn them to silent.

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1. Leave the building immediately via a Fire Exit and make your way to the Assembly Point (Ipswich Town Football Ground).
2. Follow the signs directing you to the Fire Exits at each end of the floor.
3. Do not enter the Atrium (Ground Floor area and walkways). If you are in the Atrium at the time of the Alarm, follow the signs to the nearest Fire Exit.
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Agenda Item 3

BABERGH AND MID SUFFOLK DISTRICT COUNCILS

Minutes of the meeting of the **JOINT AUDIT AND STANDARDS COMMITTEE** held in the King Edmund Chamber, Endeavour House, 8 Russell Road, Ipswich on Monday, 15 January 2018.

PRESENT:

Councillor: Frank Lawrenson – Chairman

| | | |
|--------------|------------------|-----------------|
| Councillors: | Tony Bavington | Michael Burke |
| | John Levantis | John Matthissen |
| | Lesley Mayes | Suzie Morley |
| | Dave Muller | Mike Norris |
| | David Rose | Kevin Welsby |
| | Stephen Williams | |

In attendance:

Assistant Director – Corporate Resources
Corporate Manager – Finance
Corporate Manager – Internal Audit
Senior Financial Services Officer
Senior Governance Support Officer
Peter Patrick – Cabinet Member for Finance and Organisational Delivery
John Whitehead – Cabinet Member for Finance

31 **SUBSTITUTES AND APOLOGIES**

The Chairman welcomed Tony Bavington who has taken up the Babergh Labour seat on the Committee.

32 **DECLARATION OF INTERESTS**

There were no declarations of interest.

33 **JAC/17/14 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 13 NOVEMBER 2017**

RESOLVED

That the minutes of the meeting held on 13 November 2017 be confirmed and signed as a correct, subject to the following being noted:-

John Snell, Corporate Manager Internal Audit, to respond to Members outside the meeting in relation to the items referred to in paras 28.7 and 28.11.

34 **PETITIONS**

None received.

35 **QUESTIONS BY THE PUBLIC**

None received.

36 **QUESTIONS BY COUNCILLORS**

None received.

37 **JAC/17/15 JOINT TREASURY MANAGEMENT STRATEGY 2018/19**

37.1 Sue Palmer, Senior Financial Services Officer, introduced Paper JAC/17/15 presenting the proposed Treasury Management Strategy Statement (which included the Annual Investment Strategy) for scrutiny by the Joint Committee before being presented to Council.

37.2 She gave a brief summary of Appendices A – I (attached to Paper JAC/17/15) together with an update regarding the new editions of the Treasury Management Code and Prudential Code 2017. Consideration is currently being given to the changes from the 2011 Code for incorporation into future Treasury Management Strategies and monitoring reports.

37.3 The key changes to both codes relate to the following four items:-

Definition of treasury management

The term 'investments' now covers both financial and non-financial assets which the Councils hold for financial return, including such assets as property portfolios, which are not managed as part of normal treasury management or under treasury management delegations.

Security of investments

Councils must ensure priority is given to security and portfolio liquidity when investing treasury management funds through robust due diligence procedures for all external investments.

Capital strategy

The first one will need to be produced in January 2019 for the financial year 2019/20, setting out capital expenditure and investment decisions and the associated risks and rewards together with how risk is managed for future financial sustainability.

Reference to be made to the rules under MIFID II (Markets in Financial Instruments Directive 2014/65/EU) effective from 1 January 2018

The TM Strategy must include a statement that the Councils have met the conditions to opt up to professional status, which means that they will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

37.4 Formal Notice is awaited from the DCLG of the regulatory changes to Investment Guidance and Minimum Revenue Provision (MRP) following recent consultations which closed on 22 December. Members were advised that the Strategy before them did not therefore reflect the regulatory changes.

37.5 The officers then responded to Members' questions about various aspects of Paper JAC/17/15 and its Appendices including the following:-

- Page 36, Appendix C – Why is there a difference between the Councils' Non-treasury investments as at 31 October 2017?
This can be explained by the dates of completions – whereas there were some for BDC before that date, MSDC did not have any completions until after that date.
- Page 36, Appendix C – Why is there a difference in the PWLB rates between the Councils?
This difference is explained by the MSDC loans being older and taken out at a higher rate (4.15%) whereas BDC loans are more recent, taken out when rates were lower (3%).
- What safeguards exist to protect the Councils from fraudulent activity such as money laundering?
Members were referred to the Councils' Prevention of Crime Policy and to the vetting procedures carried out by our Treasury Management consultants, Arlingclose, who advise us on a regular basis.
- Performance of Funding Circle?
As well as the lower than anticipated returns of which Members were aware, the hope that this investment would assist local businesses had not been realised, partly as a result of the changed criteria which Funding Circle is now operating.
- Discrepancy between the 2018/19 Estimate for the MSDC General Fund of £16.792m and the Total Financing and Funding figure of £16.592? (Table on page 42 of Appendix F).
The difference of £200k is as a result of a late adjustment to the figures which should have been reflected in the Revenue Contributions and Reserves line and the Total – this will be corrected.
- Appendix F – pages 43/44 – What proportion is the gross debt of the Authorised Limit each year?
The table will be adjusted to show this proportion.
- Presentation of financial information?
Officers to liaise with Michael Burke who will provide examples for showing it in a more user-friendly way. Councillor Burke referred to a Kent council example which might prove helpful.

- Page 20 – it was requested that officers look at changes to separate out the different purposes of borrowing.
This is likely to be required under the forthcoming disclosure changes so will be included next year. It was noted that there is no fixed term debt to finish in 2018/19 so average rates are likely to be similar to those shown for 2017/18.
- What is the profile of when existing debt matures?
See page 40 – table in para 3.1. Majority of BDC debt is over 10-20 years, 10-30 years for MSDC.
- Page 39 – Portfolio average credit score of 7 looks high?
This figure results from the combination of ratings in all organisations – we don't place funds with financial institutions lower than A rated. The target average score was 7 last year, and the actual figure is shown in the half yearly TM reports. The calculation will be provided to Members outside the meeting.
- Is there any opportunity for re-financing higher interest loans?
This is kept under review by Arlingclose and with reference to the markets, but is generally not worthwhile because of penalties for early repayment.

37.6 As a result of their scrutiny, Members were in agreement with the recommendations in Paper JAC/17/15, subject to the correction of the figures in relation to the Capital Financing figures for MSDC.

RECOMMENDED TO BABERGH AND MID SUFFOLK CABINETS AND COUNCILS

(1) That the following be approved:

- (a) The Treasury Management Strategy for 2018/19, including the Annual Investment Strategy set out in Appendix A to Paper JAC/17/15.**
- (b) The Treasury Management Policy Statement set out in Appendix B to Paper JAC/17/15.**
- (c) The Treasury Management Indicators set out in Appendix E to Paper JAC/17/15.**
- (d) The Prudential Indicators and Minimum Revenue Provision Statement set out in Appendix F (subject to an amendment to correct the figures in the Capital Financing – General Fund for Mid Suffolk to reflect the error identified by the Committee) and Appendix G to Paper JAC/17/15.**

(2) That the key factors and information relating to and affecting Treasury Management activities set out in Appendices C, D and H to Paper JAC/17/15 be noted.

38 **JAC/17/16 FORWARD PLAN**

38.1 Members were advised of the following update to the Forward Plan as set out in Paper JAC/17/16:

Statement of Accounts 2017/18 and Auditor's Report originally identified for 24 September 2018 Committee – to be brought forward to the 16 July Committee.

38.2 John Snell was asked to provide information to the 12 March 2018 Committee relating to the significant and operational risk registers ahead of the Annual End of Year Significant Risks report scheduled for the meeting on 14 May.

RESOLVED

That the Committee Forward Plan set out in Paper JAC/17/16, as updated above, be noted.

The business of the meeting was concluded at 11.10 am.

.....

Chairman

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Certification of claims and returns annual report 2016/17

Babergh and Mid Suffolk District Councils

January 2018

Ernst & Young LLP



Building a better
working world

Joint Audit Committee
Babergh District Council
Mid Suffolk District Council

24 January 2018
Email: spatel22@uk.ey.com

Dear Members

Certification of claims and returns annual report 2016/17 for Babergh District Council and Mid Suffolk District Council

We are pleased to report on our certification work. This report summarises the results of our work on Babergh District Council's and Mid Suffolk District Council's 2016/17 claims.

Scope of work

Each council administers the national housing benefits scheme for the Department of Work and Pensions (DWP) and claims subsidy on amounts paid out. DWP requires appropriately qualified auditors to certify each council's claims for subsidy.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. DWP prescribes instructions which we adhere to and form the basis of the work included in this report.

Summary

We checked and certified the housing benefits subsidy claims with a total value of £19.3 million for Babergh DC and £16.4 million for Mid Suffolk DC. We met the submission deadline. We issued a qualification letter for both councils with our submission; the qualification matters are included in section 1. One amendment was made to Babergh DC's claim which had a limited effect on the grant due. No amendments were made to Mid Suffolk DC's claim.

The housing benefits subsidy claim fees for 2016/17 were published by PSAA in March 2016 and are now available on the PSAA's website (www.psa.co.uk) and are summarised in section 2.

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

Yours faithfully

Suresh Patel
Associate Partner
Ernst & Young LLP
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| 3. Other assurance work | 5 |
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1. Housing benefits subsidy claim

| Scope of work | Results: Babergh DC | Mid Suffolk DC |
|--|--|----------------|
| Value of claim presented for certification | £19,264,930 | £16,440,600 |
| Amended | Yes – £250 misstatement in respect of manual adjustments. Limited impact on subsidy. | No |
| Qualification letter | Yes | Yes |
| Fee – 2016/17 | £17,250 | £18,926 |
| Fee – 2015/16 | £23,051 | £18,665 |

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the DWP towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years' claims. Both Councils identified errors and carried out extended testing in a number of areas, for which we re-performed a sample of cases.

Babergh District Council

Summary of errors: 2016/17

| Description of Cell | Nature of error |
|---|--|
| Cell 094: Rent Allowances – total expenditure (benefit granted) | Testing of the initial sample identified one case where there was a misclassification of an overpayment. Follow up testing had already been planned as shown at Cell 114 overleaf. |

2015/16 Follow up

| Description of Cell | Follow up issue |
|---|---|
| Cell 055: Rent Rebates – total expenditure (benefit granted) | In 2015/16 we identified earned income and occupational income calculations as an issue. Our initial testing of 20 cases did not identify any fails. Our 40+ testing of the sub populations also did not identify any fails. No reporting to the DWP was therefore required in these areas. |
| Cell 094: Rent Allowances – total expenditure (benefit granted) | In 2015/16 we identified self-employed income calculation as an issue. Although our initial testing of 20 cases did not identify any fails our 2016/17 testing of the sub population identified 3 cases where benefit had been overpaid by the Authority calculating an incorrect self-employed income. We reported an extrapolation in the Qualification Letter. |

| Description of Cell | Follow up issue |
|---|---|
| Cell 114: Rent Allowances – eligible overpayments | In 2015/16 we identified eligible overpayment misclassification as an issue. Our 2016/17 testing of the sub population identified 2 cases where the Authority had misclassified on the Northgate system overpaid benefit as eligible overpayment instead of LA error/admin delay We reported an extrapolation in the Qualification Letter. |

Mid Suffolk District Council

Summary of errors: 2016/17

| Description of Cell | Nature of error |
|--|---|
| Cell 011: Rent Rebates (Tenants of Non HRA Properties) – total expenditure (benefit granted) | Testing of the initial sample identified 2 fails due to breakfast not being included and weekly deduction differences. Since the whole population was small at 27 cases, the rest of the population was tested in full. This testing confirmed the same matters arising from the initial sample. We reported an extrapolation in the Qualification Letter and officers made adjustments in the 2017/18 financial year. |

2015/16 Follow up

| Description of Cell | Follow up issue |
|--|--|
| Cell 055: Rent Rebates – total expenditure (benefit granted) | In 2015/16 we identified earned income calculations as an issue. Our initial testing of 20 cases did not identify any fails. Our 40+ testing of the sub population also did not identify any fails. No reporting to the DWP was therefore required. |
| Cell 067: HRA Rent Rebates – Eligible overpayments | In 2015/16 we identified eligible overpayment misclassification as an issue. Although our initial testing of 20 cases did not identify any fails our 2016/17 testing of the sub population identified 2 cases where the Authority had incorrectly calculated earned income on the Northgate system and overpaid benefits. We reported an extrapolation in the Qualification Letter. |
| Cell 114: Rent Allowances – eligible overpayments | In 2015/16 we identified eligible overpayment misclassification as an issue. Although our initial testing of 20 cases did not identify any fails our 2016/17 testing of the sub population identified 2 cases where the Authority had misclassified, on |

| Description of Cell | Follow up issue |
|---------------------|--|
| | <p>the Northgate system, overpaid benefit as eligible overpayments instead of LA error/admin delay.</p> <p>We reported an extrapolation in the Qualification Letter.</p> |

We have reported underpayments, uncertainties and the extrapolated value of other errors in our Qualification Letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or claw back the benefit subsidy paid.

As the errors were found in November 2017, the Council may have made similar errors in the early part of the 2017/18 financial year. We have therefore recommended the need for early extended testing in these areas to identify the extent of similar errors that may have been made in 2017/18.

Issues for the 2017/18 audit

| 2017/18 issue | Recommendation |
|-------------------------------|---|
| <p>Early extended testing</p> | <p>Perform early extended testing in those areas where errors were identified in 2016/17, to ascertain the extent of similar errors arising in 2017/18.</p> |

2. 2016/17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016/17, these scale fees were published by PSAA in March 2016 and are now available on the PSAA's website (www.psa.co.uk).

| Claim or return | 2016/17 | 2016/17 | 2015/16 |
|--|-----------------|---------------------|-----------------|
| | Actual fee £ | Indicative fee £ | Actual fee £ |
| Babergh DC - Housing benefits subsidy claim | 17,250 | 17,250 | 23,051 |
| Mid Suffolk DC – Housing benefits subsidy claim | 18,926 | 18,926 | 18,665 |

The indicative fees for 2016/17 are based on the final fees for 2014/15.

3. Other assurance work

For 2016/17 we will also be acting as reporting accountants in relation to the following scheme:

- ▶ Housing pooling return

This work is undertaken outside of the PSAA regime and the fees for this are not included in the figures included in this report.

4. Looking forward

2017/18

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

The Councils' indicative certification fees for 2017/18 are £23,051 for Babergh DC and £18,665 for Mid Suffolk DC. These fees were set by PSAA and are based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:
<https://www.psa.co.uk/audit-fees/201718-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

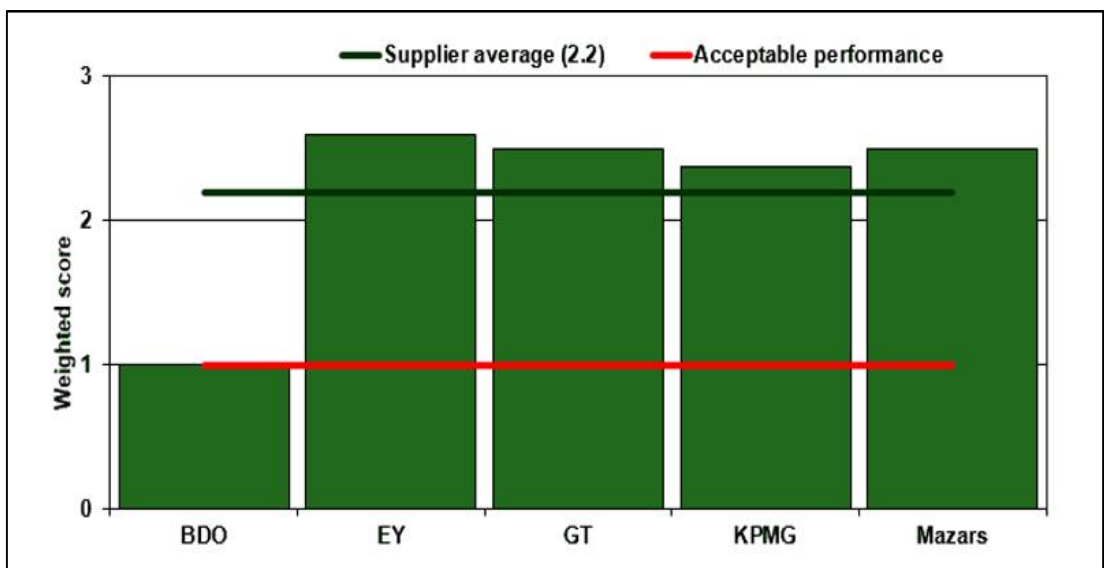
We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Assistant Director – Corporate Resources before seeking any such variation.

2018/19

From 2018/19, the Councils will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

We would be pleased to undertake this work for you, and can provide a competitive quotation for this work.

We currently provide HB subsidy certification to 106 clients, through our specialist Government & Public Sector team. We provide a quality service, and are proud that in the PSAA's latest Annual Regulatory and Compliance Report (July 2017) we score the highest of all providers, with an average score of 2.6 (out of 3).



As we also expect to be appointed by PSAA in December 2017 as your statutory auditor we can provide a comprehensive assurance service, making efficiencies for you and building on the knowledge and relationship we have established with your Housing Benefits service.

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JAC/17/19

Babergh and Mid Suffolk District Councils Audit planning report

Year ended 31 March 2018

26 February 2018

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Agenda Item 7b



Building a better
working world



Babergh and Mid Suffolk District Councils
Endeavour House
8 Russell Road
Ipswich IP1 2BX

26 February 2018

Dear Members of the Joint Audit and Standards Committee

Audit planning report

We are pleased to attach our joint Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Joint Audit and Standards Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for each Council, and outlines our planned audit strategy in response to those risks.

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

We welcome the opportunity to discuss this report with you on 12 March 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Suresh Patel

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



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Overview of our 2017/18 audit strategy



Overview of our 2017/18 audit strategy

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

Audit risks and areas of focus

| Risk / area of focus | Risk identified | Change from PY | Details |
|--|---------------------------------|----------------------------|--|
| Risk of fraud in revenue and expenditure recognition | Fraud risk/ Significant risk | No change in risk or focus | Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. |
| Misstatements due to fraud or error | Fraud risk/ Significant risk | No change in risk or focus | As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. |
| Valuation of property | Inherent risk | No change in risk or focus | For 2017/18 the Councils will again be revaluing a sample of their assets and this will be an area of focus for us. We are planning to undertake some early work at our interim visit by which time the Council plans to have the results of its valuations. We will be able to assess then whether this should be escalated to a significant risk. |
| Valuation of pensions liability | Inherent risk | No change in risk or focus | The pension liability (Babergh DC £21.9mn, Mid Suffolk DC £29.8mn at 31 March 2017) continues to be an area of significant estimate and judgement. |
| Assessment of the Group Boundary | Inherent risk | New risk | The Councils have a new joint arrangement which necessitates the preparation of group accounts. There is a risk that associated group boundary changes may go undetected, and that the required disclosures are not made in accordance with the Code. |

Overview of our 2017/18 audit strategy

Materiality

We have set materiality levels using the top of our ranges reflecting our consideration of risk.

Babergh
Planning
materiality

£1.1mn

Mid Suffolk
Planning
materiality

£1.2mn

We have set materiality at £1.090mn for Babergh DC and £1.155mn for Mid Suffolk DC, which represents 2% of the prior years gross expenditure on provision of services including other operating expenditure and interest payable. We have yet to establish group materiality.

Babergh
Performance
materiality

£0.8mn

Mid Suffolk
Performance
materiality

£0.9mn

We have set performance materiality at £0.818mn for Babergh DC and £0.866mn for Mid Suffolk DC, which represents 75% of materiality. We have yet to establish group performance materiality.

Babergh
Audit
differences

£55k

Mid Suffolk
Audit
differences

£58k

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, collection fund) greater than £55k for Babergh DC and £58k for Mid Suffolk DC. We will communicate other identified misstatements to the extent that they merit the attention of the Joint Audit and Standards Committee. We have yet to establish the level of reporting audit differences for the group.

Overview of our 2017/18 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Babergh District Council and Mid Suffolk District Council give a true and fair view of their financial position as at 31 March 2018 and of the income and expenditure for the year then ended; and
- Our conclusion on the Councils' arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to both Councils. 2017/18 is the first year that the Councils are preparing group accounts. This represents a change in audit scope. We are currently engaging with the finance team to understand the full extent of group transactions before we determine the most efficient and effective group scoping approach.

The audit team

We have retained continuity in your audit team with Suresh Patel remaining as your Engagement Lead, Melanie Richardson as your Audit Manager and Rodrique Thomas as your Team Leader.



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Audit risks

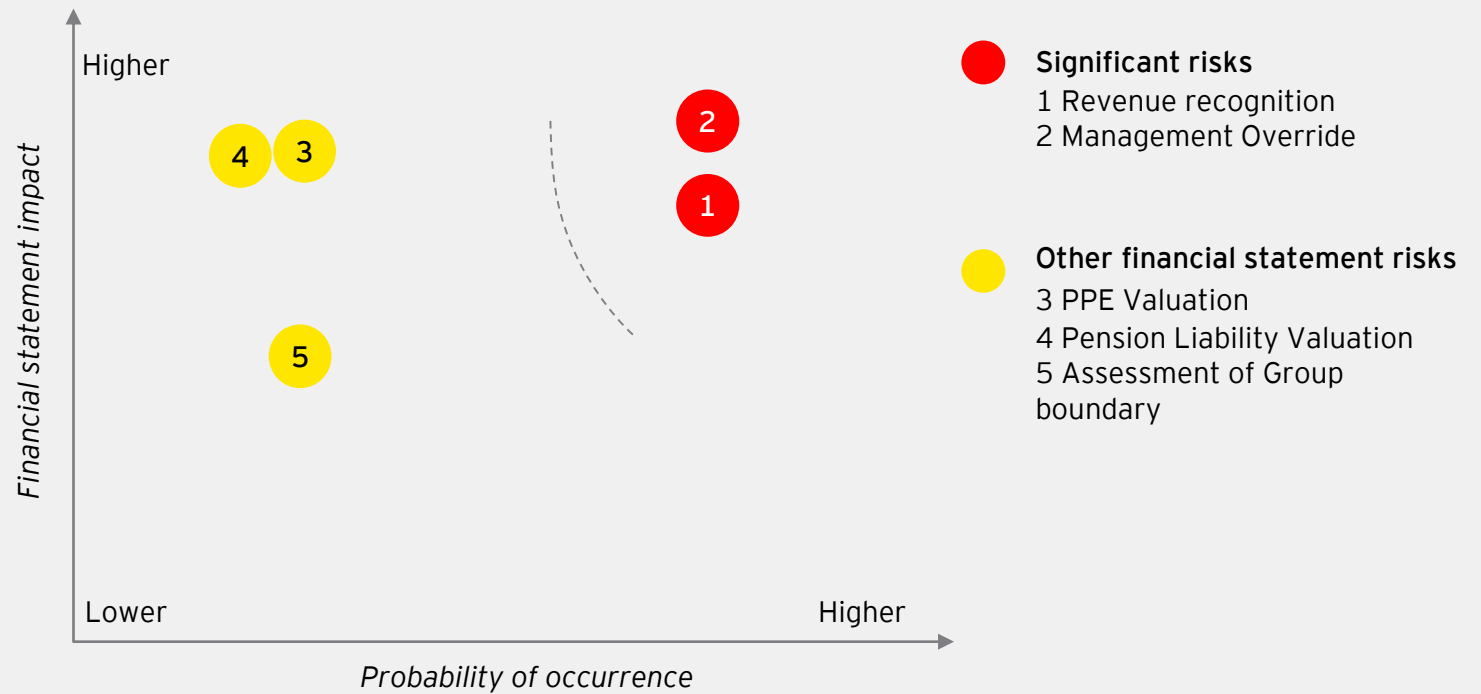


Risk assessment

Risk assessment

We have obtained an understanding of your strategy, reviewed your principal risks as identified in your 2017 Statement of Accounts and combined it with our understanding of the sector to identify key risks that impact our audit.

The following 'dashboard' summarises the significant matters that are relevant for planning our year-end audit:



Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

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| | | |
|---|---|--|
| <p>Risk of fraud in revenue and expenditure recognition*</p> | <p>What is the risk?</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We assess that we are able to rebut the presumed fraud risk of revenue income/expenditure not being appropriately recognised with one exception: the risk that revenue expenditure could be charged against capital resources rather than to the general fund.</p> | <p>What will we do?</p> <p>We will:</p> <ul style="list-style-type: none"> • Review and test revenue and expenditure recognition policies; • Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias; • Develop a testing strategy to test material revenue and expenditure streams; • Review and test revenue cut-off at the period end date. |
| <p>Financial statement impact</p> <p>Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the CIES. These accounts showed the following in the 2016/17 financial statements at the gross service cost level:</p> <p>Income Account: Babergh DC £42.1mn Mid Suffolk DC £38.9mn</p> <p>Expenditure Account: Babergh DC £42.4mn Mid Suffolk DC £44.9mn</p> | <p>What is the risk?</p> <p>The accounts are not free of material misstatements whether caused by fraud or error. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and overriding controls that otherwise appear to be operating effectively.</p> | <p>What will we do?</p> <ul style="list-style-type: none"> • Reviewing and testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparing the accounts; • Reviewing accounting estimates for evidence of bias; • Evaluating the business rationale for significant unusual transactions; and • Reviewing capital expenditure on PPE to ensure it meets the relevant accounting requirements to be capitalised. |
| <p>Misstatements due to fraud or error*</p> | | |

Other areas of audit focus

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

What is the risk/area of focus?

What will we do?

Valuation of Property, Plant and Equipment

The fair value of Property, Plant and Equipment (PPE) represents a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

- ▶ Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. We plan to use the EY Estates team to co-ordinate requests to the Council's valuer and review of their response;
- ▶ Sample testing key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per sqm);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for investment properties. We also check if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives of assets; and
- ▶ Test accounting entries have been correctly processed in the accounts,

Pension Liability Valuation

The Council makes extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. The pension fund deficit is a material estimated balance and disclosed on the balance sheet. At 31 March 2017 this totalled £21.9mn for Babergh DC and £29.8mn for Mid Suffolk DC. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

- ▶ Liaise with the auditors of the Suffolk Pension Fund, also EY, to obtain assurances over the information supplied to the actuary in relation to Babergh DC and Mid Suffolk DC;
- ▶ Assess the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Councils' financial statements in relation to IAS19.

Other areas of audit focus (continued)

What is the risk/area of focus?

Assessment of the Group Boundary

The Council has established a Capital Investment Fund Company (CIFCO) in the year to purchase commercial buildings and provide each Council with a revenue stream from collected rents. CIFCO is owned 50/50 between both Councils. This and any other joint arrangement may necessitate the preparation of group accounts.

The Councils will need to assess each arrangement to determine what falls within the group boundary and therefore requires consolidating into the Council's financial statements.

The Council will need to ensure its consolidation procedures capture all the relevant information and enable it to meet the accounting and disclosure requirements of the Code.

There is a risk that associate group boundary changes may go undetected, and that the required disclosures are not made in accordance with the Code.

What will we do?

We will focus on the reasonableness of the group boundary assessment by:

- ▶ Reviewing the determination of where overall control lies with regard to the operation and delivery of services of the potential group bodies; and
- ▶ Reviewing the consolidation procedures applied to those bodies that lie within the group boundary.

We will also review the financial information prepared by the Councils in respect of CIFCO to gain the necessary assurances for our audit of the group financial statements.

Group accounts represent a change in scope to the audit. We have made an initial assessment of associated additional fee at Appendix A.

Audit risks

Other areas of audit focus (continued)

What is the area of focus?

Earlier accounts deadline

For 2017/18 the Councils need to prepare draft accounts by 31 May and publish audited accounts by 31 July a challenge and risk for both preparers and auditors.

The Councils now have less time to prepare their financial statements and supporting working papers. Risks to the Councils include slippage in delivering data for analytics work in the required format and to time required, late working papers, delays in gathering information from external sources such as from the valuer and internal quality assurance arrangements covering for example fixed assets.

In addition, this will be the first time the Council prepares group accounts.

As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within the same compressed timetable. Slippage at one client could put delivery of others at risk.

To mitigate this risk we will require:

- Good quality draft accounts and supporting working papers by the agreed deadline;
- Appropriate Council staff to be available throughout the agreed audit period; and
- Complete and prompt responses to audit questions.

If the Councils are unable to meet key dates within our agreed timetable, we will notify the Assistant Director - Corporate Resources of the impact on the timing of your audit, which may be that we postpone the audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.

Where we require additional work to complete your audit, due to new risks, scope changes, or poor audit evidence, we will notify the Assistant Director - Corporate Resources of the impact on the timing of the audit and fees. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

What will we do?

We will:

- ▶ Gain assurance over group accounting and related disclosures in the Council's group financial statements.
- ▶ Work with the Council to engage early to facilitate early substantive testing where appropriate.
- ▶ Provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- ▶ Facilitate faster close workshops to provide a forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for 2017/18.
- ▶ Work with the Council to implement EY Client Portal, this will:
 - ▶ Streamline audit requests through a reduction of emails and improve communication;
 - ▶ Provide on-demand visibility into the status of audit requests and the overall audit status;
 - ▶ Reduce risk of duplicate requests; and
 - ▶ Provide better security of sensitive data.
- ▶ Agree the team and timing of each element of our work with you.
- ▶ Agree the supporting working papers that we require to complete our audit and provide coaching to your team on what constitutes good quality working papers.



03

Value for Money Risks





Background

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. For 2017/18 this is based on the overall evaluation criterion:

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

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

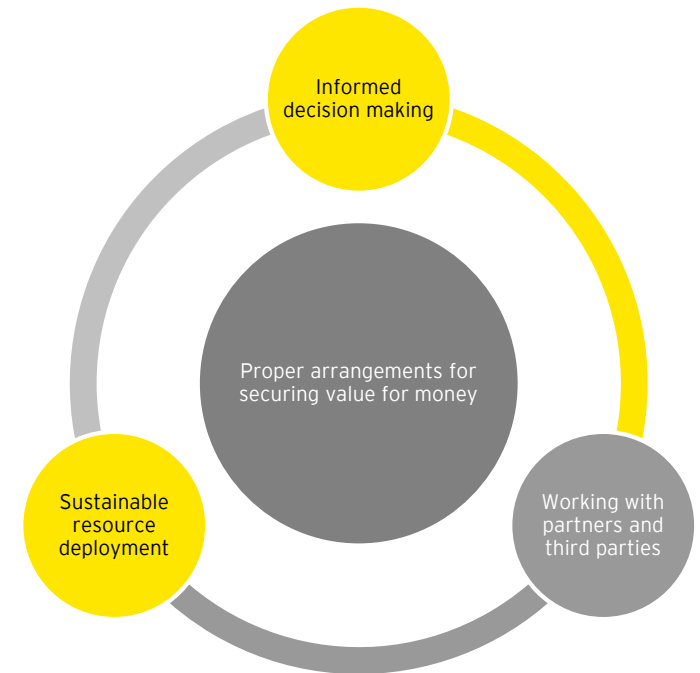
- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement. We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

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

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. At this stage, this has not identified any risks for either Council which we view as relevant to our value for money conclusion. We will keep our risk assessment under review throughout our audit, and communicate to the Joint Audit and Standards Committee any revisions and any additional local risk-based work we may need to undertake as a result.





04

Audit materiality

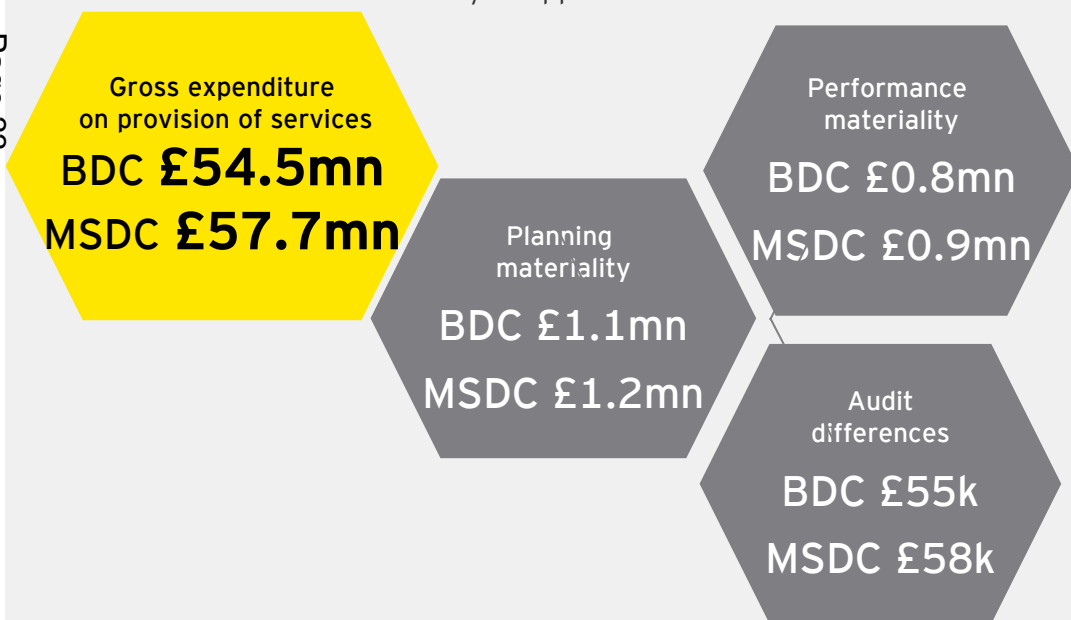


Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £1.09mn for Babergh DC and £1.155mn for Mid Suffolk DC. This represents 2% of the Councils' prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We consider gross expenditure as the most appropriate basis since it reflects the cost of activities carried out by the Council. Our materiality is based on a range of either 1% or 2%. We have chosen 2% as used at the prior year audit as there are no significant changes to the Council's business environment. We have provided supplemental information about audit materiality in Appendix D.

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Key definitions

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

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £818k for Babergh DC and £866k for Mid Suffolk DC which represents 75% of planning materiality.

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

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

Specific materiality - We have set a lower materiality for remuneration disclosures, exit packages, related party transactions, and members' allowances which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this. We would also consider as material an error that affects the banding shown in a disclosure as material (remuneration and exit packages).

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



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

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

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

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Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (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.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

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

For 2017/18 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Joint Audit and Standards Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



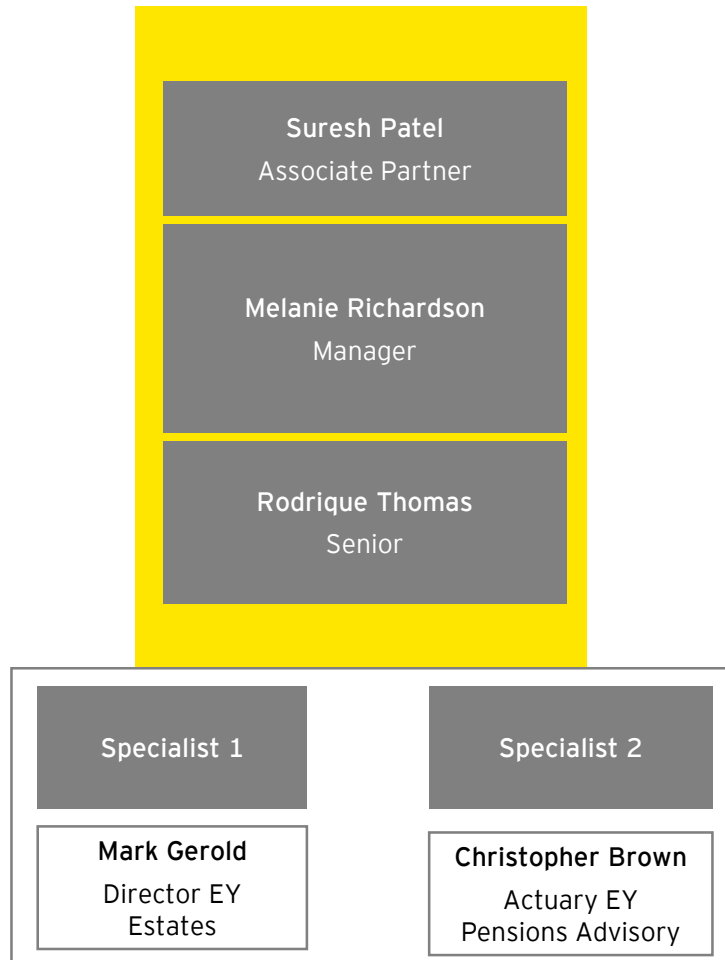
06

Audit team



Audit team

Audit team structure:



Use of specialists

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

| Area | Specialists |
|---------------------------------|--------------------|
| Valuation of Land and Buildings | EY Valuations Team |
| Pensions disclosure | EY Actuaries Team |

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

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

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



07

Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18. From time to time matters may arise that require immediate communication with the Joint Audit and Standards Committee and we will discuss them with the Joint Audit and Standards Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

| Audit phase | Timetable | Joint Audit and Standards Committee timetable | Deliverables |
|---|-----------|---|--|
| Planning: Risk assessment and setting of scopes. | December | | |
| Planning: Risk assessment and setting of scopes. | January | | |
| Interim audit testing Walkthrough of key systems and processes and early testing | February | | |
| Interim audit testing Value for money conclusion | March | Joint Audit and Standards Committee | Audit Planning Report Interim report (by exception) |
| | April | | |
| | May | | |
| Year end audit | June | | |
| Audit Completion procedures | July | Joint Audit and Standards Committee | Audit Results Report Audit opinions and completion certificates |
| | August | | Annual Audit Letter |



08

Independence



Introduction

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

Required communications

| Planning stage | Final stage |
|---|--|
| <p>▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;</p> <p>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</p> <p>▶ The overall assessment of threats and safeguards;</p> <p>▶ Information about the general policies and process within EY to maintain objectivity and independence.</p> <p>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard</p> | <p>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</p> <p>▶ Details of non-audit services provided and the fees charged in relation thereto;</p> <p>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the audit or external experts used have confirmed their independence to us;</p> <p>▶ Written confirmation that all covered persons are independent;</p> <p>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</p> <p>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</p> <p>▶ An opportunity to discuss auditor independence issues.</p> |

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services. We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted. We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

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

At the time of writing, no non-audit services are planned. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

Self review threats

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

There are no self review threats at the date of this report.

Management threats

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

There are no management threats at the date of this report.

Other threats

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

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2017

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017>



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

| | Planned fee 2017/18 | Scale fee 2017/18 | Final Fee 2016/17 |
|---|------------------------|----------------------|----------------------|
| Babergh District Council | £ | £ | £ |
| Code work | 48,812 | 48,812 | 51,812* |
| Audit of group accounts | 2,500** | | |
| Total Fee - Code work | 51,312 | 48,812 | 51,812 |
| Other non-audit services not covered above (Housing Benefits) | 23,051 | 23,051 | 17,250 |
| Total fees | £74,363 | £71,863 | £69,062 |
| Mid Suffolk District Council | £ | £ | £ |
| Code work | 43,425 | 43,425 | 46,425* |
| Audit of group accounts | 2,500** | | |
| Total Fee - Code work | 45,925 | 43,425 | 46,425 |
| Other non-audit services not covered above (Housing Benefits) | 18,665 | 18,665 | 18,926 |
| Total fees | £64,590 | £62,090 | £65,351 |

All fees exclude VAT

* The 2016/17 final fee includes an additional £3,000 for each Council for additional work agreeing and testing Property, Plant and Equipment disclosures, obtaining, reviewing and finalising the Councils' payroll analytics data, and resolving working paper issues on some key areas of testing.

** Additional fee for the audit of group accounts which is a new area this year. We estimate a fee range of £2,500 - £4,000 for each Council.

The fee for the work on Housing Benefits is based on the outturn fee for 2015/16. The fee is dependent on the level of additional testing required following completion of the initial testing. If the level of work is similar to that undertaken in 2016/17 then we would expect to charge accordingly.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Councils; and
- ▶ The Councils have an effective control environment.




If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Assistant Director - Corporate Resources in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B





Required communications with the Committee

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

|  Our Reporting to you | | |
|--|---|--|
| Required communications |  What is reported? |  When and where |
| Terms of engagement | Confirmation by the Standards and General Purposes Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties. | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. |
| Our responsibilities | Reminder of our responsibilities as set out in the engagement letter | The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. |
| Planning and audit approach | Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team | Audit planning report |
| Significant findings from the audit | <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process | Audit results report |

Appendix B




Required communications with the Committee (continued)

| | | |  Our Reporting to you |
|--------------------------------|---|---|--|
| Required communications |  What is reported? |   When and where | |
| Going concern | <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements | | Audit results report |
| Misstatements | <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management | | Audit results report |
| Fraud | <ul style="list-style-type: none"> ▶ Enquiries of the Joint Standards and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud | | Audit results report |
| Related parties | <ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity | | Audit results report |

Appendix B

Required communications with the Committee (continued)



 Our Reporting to you

| Required communications |  What is reported? |   When and where |
|---------------------------------------|--|--|
| Independence | <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence | Audit Planning Report and Audit Results Report |
| External confirmations | <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures | Audit results report |
| Consideration of laws and regulations | <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Joint Standards and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Joint Standards and Audit Committee may be aware of | Audit results report |
| Internal controls | <ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit | Management letter/audit results report |

Required communications with the Committee (continued)



Our Reporting to you

| Required communications |  What is reported? |  When and where |
|--|---|--|
| Group audits | <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements | Audit planning report Audit results report |
| Representations | Written representations we are requesting from management and/or those charged with governance | Audit results report |
| Material inconsistencies and misstatements | Material inconsistencies or misstatements of fact identified in other information which management has refused to revise | Audit results report |
| Auditors report | <ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report | Audit results report |
| Fee Reporting | <ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work | Audit planning report Audit results report |
| Certification work | Summary of certification work undertaken | Certification report |

Additional audit information

Other required procedures during the course of the audit

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

Our responsibilities required by auditing standards

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

Additional audit information (continued)

Purpose and evaluation of materiality

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

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

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

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ED None

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Agenda Item 8

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

| | |
|---|---------------------------------------|
| From: Corporate Manager – Internal Audit | Report Number: JAC/17/20 |
| To: Joint Audit and Standards Committee | Date of meeting: 12 March 2018 |

INTERNAL AUDIT PLAN 2018/19

1. Purpose of Report

1.1 This report details the proposed Internal Audit Plan for the next financial year.

2. Recommendation

2.1 That the Internal Audit Plan 2018/19, as detailed in Appendix A be approved, subject to Committee's review and assessment of the plan.

3. Financial Implications

3.1 Whilst there are no direct financial implications, as the Internal Audit Plan will be funded from within approved budgets, there are positive impacts on the overall financial control environment from the operation of a robust internal audit plan.

4. Legal Implications

4.1 There are no legal implications arising from these proposals, although a robust audit plan provides positive contribution to the overall governance framework of the Councils.

5. Risk Management

5.1 Each Council is required by statute to maintain an adequate and effective Internal Audit function, which forms an integral part of each Council's corporate governance and internal control arrangements. It is therefore essential that the Internal Audit Plan directs resources to areas of highest risk and has the approval and support of senior management and Councillors.

5.2 The preparation and development of the Internal Audit Plan is described in more detail from paragraph 10 onwards.

5.3 The key risks are set out below:

| Risk Description | Likelihood | Impact | Mitigation Measures |
|---|--------------|---------|---|
| Internal control weaknesses and potential for fraud exists. | Unlikely (2) | Bad (3) | Work programme that focuses on key risk areas, including fundamental systems. |

| | | | |
|---|--------------|---------|--|
| Inefficient processes or systems in place | Unlikely (2) | Bad (3) | Audit work considers efficiency issues and appropriate recommendations are made. |
|---|--------------|---------|--|

6. Consultations

- 6.1 The Internal Audit Plan was discussed with the Senior Leadership Team (SLT) including the s151 Officer as part of the audit planning process.

7. Equality Analysis

- 7.1 There are no equality and diversity implications arising from 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.

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 and are able to prove it.

However, the plan has been designed to support all five of the Council's strategic themes. The proposed allocation of audit days is shown both in the attached detailed report and the associated pictorial representation in Appendix A.

10. Key Information

Approach to Audit Planning

- 10.1 The provision of a risk based Internal Audit Plan consistent with each Council's priorities is an essential part of ensuring probity and soundness of each Council's internal controls, risk exposure and governance framework.
- 10.2 The scope of internal audit work is planned to cover all operational and management controls (including governance and risk management arrangements) and is not restricted to the audit of systems and controls necessary to form an opinion on the financial statements. This does not imply that all systems are subject to review, but were included in the audit needs assessment and considered for review following the assessment of risk.
- 10.3 There is due consideration in planning this work to ensure that Internal Audit maintains its objectivity and independence. The prioritisation of unplanned work will also take account of the requirements of the approved audit plan.
- 10.4 In line with the Councils' Internal Audit Charter the plan has been constructed to ensure that it delivers against the Public Sector Internal Audit Standards (PSIAS) and the requirement to produce an annual Head of Internal Audit opinion. In doing this it can be confirmed that the plan covers the following activities:

- Governance processes
- Monitoring
- Ethics
- Information and Information technology governance
- Risk Management
- Fraud management

10.5 In line with the requirements of the PSIAS the quality and compliance of Internal Audit service delivery has been subject to independent external review during February 2018. The formal outcome of this review will be reported to this Committee in May 2018, but there were no material issues raised regarding this planning process.

10.6 The planning process also recognises that the Councils' are continuing to strive to improve services and use innovative approaches in addressing service delivery against a background of reducing resources.

10.7 Internal Audit resources have therefore been targeted across the Councils' services using a risk based approach including support to project teams through this change to help maximise the effectiveness of internal control.

Plan structure and key items to note

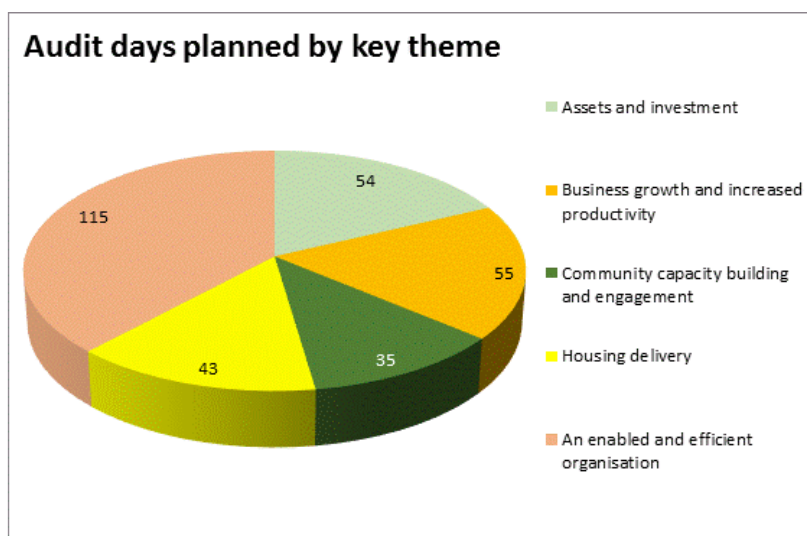
10.8 The active resource available to the Corporate Manager – Internal Audit is 612 days, of which 322 are allocated to conducting audit reviews (775 - 2016/17 (465 audit)). This reflects adjustments to staff changes during the year, which were presented to this Committee in Section 8 of paper JAC/17/12, 'The Interim Internal Audit Report 2017/18', on 13 November 2017.

10.9 The construction of the Audit Plan has been developed to support both the Annual Governance Statement and the Councils' Five Key Strategic Themes. Factors used in the risk assessment of services and processes to inform the proposed focus of audit for 2018/19 have been based largely, but not exclusively, on the following:

- Consideration of key controls and associated risks;
- Review of each Council's strategic priorities and those objectives/outcomes contained in the Joint Strategic Plan that sit beneath them;
- Cumulative audit knowledge and experience; a consideration of first principles; and audit reflection on whether aspects of the Councils' governance arrangements and frameworks are 'fit for purpose'.
- Engagement with senior management to identify management's view of the coming year's risks linked to the Joint Strategic Plan and Delivery Programme about which assurance is required e.g.
 - Significant projects or programmes planned or underway;
 - Areas subject to changing systems or processes;
 - Areas where internal controls may be affected by reductions in resources;
 - Areas subject to high levels of inherent risk; and
 - Significant contracts.

- Financial materiality – e.g. levels of income and expenditure, value of assets, volume of transactions;
- Control environment – control assurance in respect of the three lines of defence: Sound Management of Front line operations; Oversight of management activity within a professional framework; and External review by Independent assurance providers;
- Previous assessments of the soundness of internal controls, taking into account previous findings of Internal Audit and External Audit;
- Management concerns over the stability, complexity and vulnerability – taking into account such factors as the stability of management and staffing arrangements, changes in locations, complexity/changes in regulations and legislation, major system changes, new IT systems etc.; and
- Date of last audit – i.e. the longer the time since the last audit potentially the greater the risk.

10.10 During the planning process managers were asked to contribute proposals for audit engagement within the Councils’ Five Key Strategic Themes. The plan in Appendix A details this approach, and the audit days allocated are shown below:



The relative emphasis on audit coverage related to Enabled and Efficient Organisation is, in part, due to the nature of audits concerned with generic efficiency and effectiveness across the Councils, such as Information Technology Business Continuity and Health and Safety.

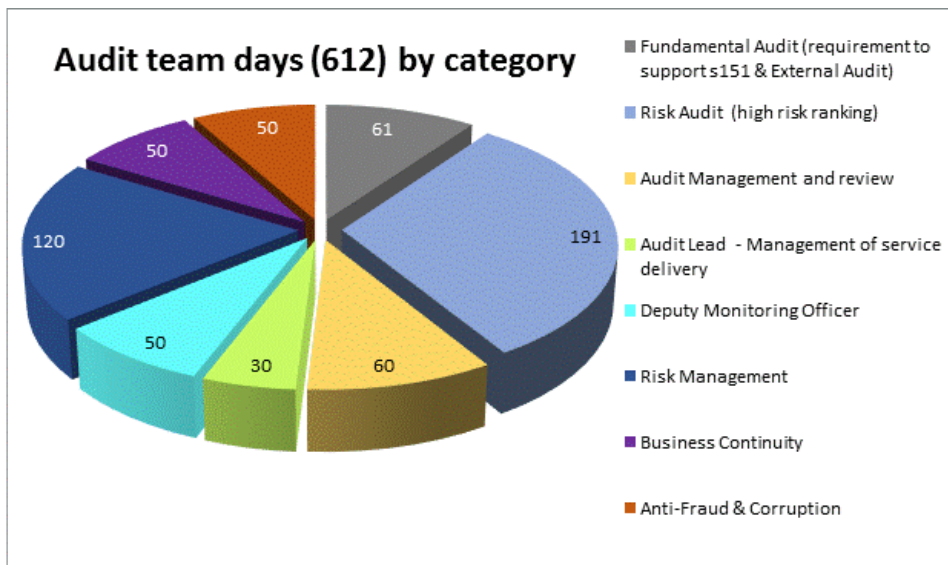
The next largest audit resource spend, Business Growth, reflects a particular focus on audits being conducted within Procurement, tender and contract management incorporating reviewing activities associated with the shared legal service.

Housing delivery audits are determined by the changes within and focus on, the activities both within housing improvement grants and recent system changes.

Community capacity audits include CIL, building control and waste management.

10.11 The coverage within individual audits continues, where appropriate, to include looking at transformation opportunities for improving efficiency and adding value.

10.12 The audit work proposed in the plan is also structured to reflect the audit disciplines undertaken to support delivery of the governance and professional framework. The resources committed to each category is annotated in the detailed plan in Appendix A, and in summary below:



- Fundamental Audits (Managing Finance) – Days included in the plan to cover fundamental systems audit work on which reliance may be placed by the external auditors as they assess the Councils’ final accounts. Where the control environment continues to improve there has been reduction in audit time allocated to audit in this area;
- Risk Audits – identified in the audit planning and assurance process, conducted to support management reliance over the key controls in effect to manage major aspects of the Councils’ operation. As the business continues to transform audit resource is allocated to this activity in this year’s plan; and resources allocated to support projects to provide the necessary assurances around governance, risk profile and internal control arrangements. Projects will continue to be evaluated in terms of risk and scoped accordingly as management request support from Internal Audit;

Other audit activity, including:

- Governance arrangements – Audits which contribute to the development of both Council’s Corporate Governance Framework and feed into the Annual Governance Statement;
- Monitoring Role – The Corporate Manager - Internal Audit performs the role of Deputy Monitoring Officer for the Councils, with the specific duty to ensure that the Council, its officers, and its 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.

- Risk Management – Audit work will help to ensure that the Councils identify and effectively manage significant business and operational risks in line with the Risk Management Strategy;
- Counter fraud work - ongoing proactive testing of systems and processes help to identify potential fraud and misappropriation, as well as non-compliance with policies and procedures. The audit team will reactively investigate potential wrongdoing, responding to fraud and corruption relating to non-benefit fraud cases. This includes co-ordinating data matching for the National Fraud Initiative (NFI); raising fraud awareness and providing training in areas such as money laundering; providing advice to services on introduction of new systems or procedures. Full details of counter fraud work undertaken is contained within the annual report entitled 'Managing the Risk of Fraud and Corruption 2017/18', tabled as a separate paper to this Committee;
- Business Continuity – to maintain the Councils' Business Continuity Plan and ensure it remains 'fit for purpose' by undertaking an annual refresh; establish risk management processes and procedures that aim to prevent interruptions to mission critical services; facilitate update of action cards; and provide general advice and guidance to officers.
- Advice and guidance – the team proactively provide ongoing advice across both Councils. Whether through attendance at working groups, projects or responding to enquiries, early audit advice and support can help maintain a robust control environment and feed in good practice. It is likely to remain an area of demand during 2018/19 as managers at all levels, especially those implementing new systems, structures and relocations, require support.

Conclusion

10.13 The Internal Audit Plan will be kept under review to ensure it reflects the shape of the Councils going forward. Should significant amendments be necessary these will be discussed with senior management, including the Section 151 Officer and, where deemed necessary, reported back to this Committee.

11. Appendices

| Title | Location |
|---|----------|
| (a) Detailed Proposed 2018/19 Internal Audit Plan | Attached |

12. Background Documents

12.1 None

Authorship:
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Corporate Manager - Internal Audit

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Appendix A: Detailed Proposed 2018/19 Internal Audit Plan.

| Prioritised Internal Audit Plan for 2018/19 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 | 15 | Asset management process between purchase, repair and financial reporting. | 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. | F2 |
| Receivables / Debtors | 10 | Income management, inc. debt recovery - how fed back to business by finance and managed by service areas. Inc VAT analysis on income. | | F1 |
| Treasury Management | 4 | Corporate Cash Management and links to funding of business strategy. | | F3 |
| Investment and Development Strategy effectiveness and efficiency | 25 | 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. | 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. | R1 |
| | 54 | 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 | | | | |
| 1. Sourcing contracts, the Tendering process | 15 | The role of the service in managing the tender process. Identifying the need to tender, how are the quotes to tender are managed and evaluated and proceed to contract. | 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. | R1 |
| 2. Contract Management | 15 | Oversight and management of Contracts, inc budget management etc. | | R2 |
| 3. Procurement | 15 | Compliance testing against new procurement framework / guidance. Inc VAT on spend. The process of raising work orders in Capita Open Housing and following that process through to payment within Integra and the closing of jobs. | 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. | F2 |
| Payables / Creditors | 10 | Management oversight, performance and compliance activity. Aggregation of payments & links to procurement. | 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. | F3 |
| | 55 | Business growth and increased productivity planned days | | |
| Community capacity building and engagement – All communities are thriving, growing, healthy, active and self-sufficient | | | | |
| Community Infrastructure Levy (CIL) | 10 | Collection audit looking at spending arrangements when embedded. (Q3) Is the spend of s106 spend proactively managed. | 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. | R1 |
| Performance reporting | 10 | Heritage and specific information regarding numbers of applications, % of planning applications that required heritage advice, of the applications that did require heritage advice what was the make up of those, number that were really basic etc. | 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. | R3 |
| Waste Management | 15 | Brown bin cradle to grave process (inc payment process). | Community capacity building and engagement – All communities are thriving, growing, healthy, active and self-sufficient | R1 |
| | 35 | Community capacity building and engagement planned days | | |
| Housing delivery – More of the right type of homes, of the right tenure in the right place | | | | |
| Disabled facilities Grant | 20 | Review of the allocation of grant monies, the oversight of work conducted and clause enforcement. Analyse the link (if any) to the capital spend in Housing property budget for Disabled facilities. | 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. | R1 |
| Housing delivery | 8 | What Housing has in place to satisfy last year's original 4i review of Compliance and the effectiveness of any control measure. | | R2 |
| System embedding | 15 | New system (Uniform) brought in last summer. Consider Effectiveness & Controls, Internal and external responses to applications. Some services are slow, some don't respond. Does everyone know their role and responsibilities/processes? Errors have occurred where approval went out but should be refused, no committee decision, agreed extended timescales forgotten. Risk: If more than 10% of planning appeals are lost, Gov determines the quality of our work is not satisfactory. How do our applications feed into 106 agreements? | | R2 |
| | 43 | 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 | | | | |
| Making use of leading edge technologies (Data Management and IT) | 13 | ICO Healthcheck for the General Data Protection Regulation (GDPR) (To be completed in April 18) (and phase 2 compliance check Q2.) | 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. | R1 |
| General Ledger | 7 | Focus on follow up of issues raised in 17/18 regarding reconciliations & inc SRP recs. | In addition these reviews provide governance assurance to the S151 Officer and Senior Management | F2 |
| Health and Safety | 25 | 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. | 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. | R2 |
| Public Access for Land Charges (PALC) search fees (income) | 10 | Review of end to end process, key risks and key controls. | Outcomes can include an improved control environment, enhanced management information and streamlined processes thereby improving organisational efficiency. | R2 |
| Ethical behaviour | 10 | Gifts & Hospitality - Ethical behaviour - declaration of interests. | In addition these reviews provide governance assurance to the S151 Officer and Senior Management. | R1 |
| Business Continuity | 50 | Exercise with SCC, Annual review of Plan, action cards, critical service review and emergency response. | 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. | B |
| | 115 | An enabled and efficient organisation planned days | | |
| Other Audit Activity | | | | |
| Work in progress from previous year | 10 | Finalisation of any outstanding work. Liaison with External Auditors over review of internal audit work. | 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 | M |
| Follow Ups | 5 | Implementation of audit recommendations deemed as high risk. | | M |
| Requests for support from management | 25 | Unplanned investigations assessing the impact on controls and processes through specific events. | | M |
| Deputy Monitoring Role | 50 | Work to be undertaken by the Corporate Manager - Internal Audit. | Provide comfort to Management that the Councils' are fulfilling their legislative and fiduciary duties, and determine the Council's resilience of and compliance with legislation. | MO |
| 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). | | A |
| Audit Lead - Management of service delivery | 30 | Service delivery - (Cttee reports, audit planning and control risk assessment). | 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. | L |
| 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. | | RM |
| | 310 | Other Audit Activity planned days | | |
| | 612 | Total Days Planned | | |
| | | Fundamental Audit (requirement to support s151 & External Audit) | | F |
| | | Risk Audit (high risk ranking) | | R |
| | | Audit Management and review | | M |
| | | Anti-Fraud & Corruption | | A |
| | | Audit Lead - Management of service delivery | | L |
| | | Risk Management | | RM |
| | | Business Continuity | | B |
| | | Deputy Monitoring Officer | | MO |

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Agenda Item 9

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

| | |
|---|---------------------------------------|
| From: Corporate Manager - Internal Audit | Report Number: JAC/17/21 |
| To: Joint Audit and Standards Committee | Date of meeting: 12 March 2018 |

MANAGING THE RISK OF FRAUD AND CORRUPTION – ANNUAL REPORT 2017/18

1. Purpose of Report

- 1.1 This report explains the current arrangements in place across both Councils to ensure there is a pro-active corporate approach to preventing fraud and corruption and creating a culture where fraud and corruption will not be tolerated. It also provides details of proactive work undertaken by internal Audit to deter, prevent and detect fraud and corruption.
- 1.2 Anti-fraud and corruption work forms an important part of the Councils' corporate governance and internal control framework.

2. Recommendation

- 2.1 That the Committee comments upon and endorses the progress made in ensuring there are effective arrangements and measures in place across both Councils to minimise the risk of fraud and corruption.

3. Financial Implications

- 3.1 Whilst there are no direct implications arising from this report there are potential resource implications concerning anti-fraud and corruption issues. Any implications arising from the need to introduce additional controls and mitigations will be addressed with management. The emphasis at all times will be to improve controls without increasing costs or jeopardising efficient and compliant service delivery.

4. Legal Implications

- 4.1 There are no legal implications arising from these proposals.

5. Risk Management

- 5.1 The key risks are set out below:

| Risk Description | Likelihood | Impact | Mitigation Measures |
|---|--------------|---------|---|
| If robust anti-fraud and corruption arrangements are not in place this could affect the achievement of the Councils' strategic aims and priorities, key projects, the delivery of | Unlikely (2) | Bad (3) | The risk of fraud and corruption in relation to each Councils' activities is taken into consideration both as part of each Councils' approach to risk management and also in the development of the annual Internal Audit Plan. In practice, each |

| | | | |
|-------------------------------------|--|--|--|
| <p>services and its reputation.</p> | | | <p>Councils' mitigating controls include clear policies and procedures available to all staff and Councillors; Internal Audit who investigate potential areas of fraud and corruption; the bi-annual participation in the National Fraud Initiative; and a sound internal control environment – as demonstrated by internal and external audit opinions and the Annual Governance Statement.</p> |
|-------------------------------------|--|--|--|

6. Consultations

- 6.1 The Assistant Director – Law & Governance and Monitoring Officer, Assistant Director - Corporate Resources and Legal have been consulted on this report and any comments received have been incorporated in the report.

7. Equality Analysis

- 7.1 There are no equality implications.

8. Shared Service / Partnership Implications

- 8.1 The overall approach has been to develop an alignment of relevant policies and procedures to provide a clear corporate framework to counter fraudulent and corrupt activity across the two councils.

9. Links to Joint Strategic Plan

- 9.1 Work undertaken to reduce fraud and enhance the Councils' anti-fraud and corruption culture contributes to the delivery of all its aims and priorities.

10. Key Information

- 10.1 This report shows those responsible for governance how both Councils are looking to fight fraud more effectively. It brings together in one document a summary of the outcomes of our work to deter, prevent and detect fraud and corruption over the last 12 months.
- 10.2 Although both Councils have traditionally encountered low levels of fraud and corruption, the risk of such losses both internally and externally is fully recognised as part of each Council's operations that need to be managed proactively and effectively.
- 10.3 Each Council's expectation of propriety and accountability is that Councillors and staff, at all levels, will lead by example in ensuring adherence to legal requirements, policies, procedures and practices.
- 10.4 The Councils also expect that individuals and organisations (e.g. suppliers, contractors, partners and service providers) with whom it comes into contact will act towards the Councils with integrity and without thought or actions involving fraud and corruption.

Levels of officer responsibility

- 10.5 The Financial Regulations within each Council's Constitution state that the Corporate Manager – Internal Audit is responsible for:
- The development and maintenance of a Prevention of Financial Crime Policy and ensuring that Councillors and staff are aware of its contents; and
 - Ensuring that there is a pro-active approach to fraud prevention, detection and investigation and promotes a council-wide anti-fraud culture across both Councils.
- 10.6 Furthermore, all officers are responsible for giving immediate notification to the Corporate Manager – Internal Audit on fraud matters where there are grounds to suggest that fraud or corruption have occurred.
- 10.7 The Corporate Manager – Internal Audit is the Money Laundering Reporting Officer (MLRO) and is responsible for ensuring that proper procedures are in place to combat the possibility of the Councils being used for money laundering purposes. See also paragraph 10.36.
- 10.8 Internal Audit will support management by advising on controls to prevent and detect fraud and help build anti-fraud awareness amongst staff. However, ownership of fraud risks lies in the directorates, and not Internal Audit.

Internal Audit

- 10.9 Fraud and corruption risks are identified as part of the annual planning process and contribute to the overall formation of audit coverage.
- 10.10 Whilst it is not a primary role of an internal audit function to detect fraud, it does have a role in providing an independent assurance on the effectiveness of the processes put in place by management to manage the risk of fraud.
- 10.11 Internal Audit can undertake additional work, but it must not be prejudicial to their primary role. Activities carried out include:
- Investigating the causes of fraud;
 - Reviewing fraud prevention controls and detection processes put in place by management;
 - Making recommendations to improve those processes;
 - Using internal knowledge within the Internal Audit team, or bringing in any specialist knowledge and skills that may assist in fraud investigations, or leading investigations where appropriate and requested by management;
 - Responding to whistleblowing allegations;
 - Under the Public Sector Internal Audit Standards (PSIAS) we consider aspects of fraud risk in planning all audits; and
 - Facilitating corporate learning.

10.12 The annual Audit Plan has an allowance for Internal Audit to undertake irregularity investigations, National Fraud Initiative related work, and proactive anti-fraud and corruption work. This is at a level deemed proportionate to the identified risk of fraud within the Councils, and is supported by senior management.

Fraud Risk Register

10.13 Part of delivering good governance as defined by CIPFA/SOLACE is ensuring counter fraud arrangements are in place and operating effectively.

10.14 Internal Audit has produced a Fraud Risk Register, which contains a list of areas where Internal Audit and service managers believe the Councils are susceptible to fraud. This register will enable the Councils to focus on suitable internal controls to mitigate any subsequent risk. The register also influences the audit planning process – refer to paragraphs 10.9 to 10.12.

Policies and Procedures

10.15 The Councils are committed to ensuring that the opportunity for fraud and corruption is minimised. It adopts a culture in which all of its staff and Councillors can help the organisations maintain a proactive attitude towards preventing fraud and corruption by reporting corrupt, dishonest or unethical behaviour. This is supported by the Prevention of Financial Crime Policy, which was approved by this Committee in January 2015 and the recently published Commissioning and Procurement guidelines.

CIPFA ‘fraud and corruption tracker’ summary report 2017

10.16 The summary report helps organisations understand where fraud losses could be occurring. CIPFA estimates that across local authorities more than 75,000 frauds have been detected or prevented in 2016/17 with a total of £336.2 m. The number of fraud cases investigated or prevented dropped in 2017, but the average value per fraud increased from £3,400 to £4,500, which might suggest that local authorities are focussing on cases with a higher value.

10.17 With regard to District Councils, Housing and tenancy fraud still represents the highest value of all fraud types totalling £263.4m. This is made up of Right to Buy, illegal subletting and other tenancy frauds which includes succession frauds and false applications. See also paragraphs 10.33 to 10.36 below.

Pro-active Anti-Fraud work

Raising awareness

10.18 Work continues on raising fraud awareness across both Councils and includes:

- Alerting staff of National Fraud Bulletins and non-benefit threat alerts from City of London Police and ensuring that associated internal controls are robust;
- Completion of national fraud and corruption surveys;
- Reminder to Councillors and staff on their responsibilities around gifts and hospitalities;

- Attendance of the annual Fraud and Error conference. Speakers are invited from central and local government to talk about old and new techniques and approaches for tackling fraud and error. Topics include: the use of technology and data matching initiatives; potential benefits of collaborative working and pooling data intelligence.

10.19 Both Councils are committed to being open and transparent. The published Communities and Local Authorities (CLG) Code of Recommended Practice for Local Authorities on Data Transparency has set out data publishing requirements on Local Authorities. This now includes publishing information on each Councils' counter fraud work.

10.20 Training on preventing and detecting tenancy fraud including money laundering was run in May 2017. The objectives covered:

- Understanding the importance of tackling fraud;
- Types of fraud we see in housing;
- Prevention techniques;
- How to spot fraudulent ID and residency documents; and
- Data protection issues.

Benefit Fraud

10.21 The way Housing Benefit is investigated changed for our Councils on 1st May 2015 following a government initiative to create a single integrated fraud investigation service with statutory powers, which included the investigation and sanction of Housing Benefit offences. From 1st May 2015 all suspected Housing Benefit fraud cases are referred to the DWP within a new team called the 'Single Fraud Investigation Service' (SFIS).

Fraud update from the Shared Revenues Partnership (SRP)

10.22 The SRP secured funding from the DWP under the Fraud and Error Reduction Incentive Scheme (FERIS) for 2017/18. The SRP have run targeted campaigns to reduce fraud and error Housing Benefit cases. These campaigns have been selected in areas that historically the SRP are aware that there may have been changes that the customer may not have informed the benefits department of, for example changes in Private/Occupational Pensions or child care costs changing on receipt of nursery vouchers or starting school.

10.23 The SRP apply a Risk Based Verification (RBV) approach to Housing Benefit claims. RBV assigns a risk rating to each claim which determines the level of verification required. It allows more intense verification activity to be targeted at those claims which are deemed to be at highest risk of involving fraud and/or error.

- 10.24 Every new benefit claim is cross referenced via a central database to ensure that the customer is not claiming benefit anywhere else or is a household member in anyone else's claim, it cross references National Insurance Numbers to ensure that it is not being used by another person, checks the electoral role and if deemed to be a high risk will carry out a credit reference agency check so that the Benefit Assessor can decide if a claim is ready to be processed or make a referral for potential fraud.
- 10.25 The SRP secured funding from Suffolk County Council to carry out a monthly review of single resident discount during 2017/18. Although work continues on the monthly review, the current number of discounts removed and the value of debt created since April 2017 is shown below:

| | Number Removed | Value for 2017/18 |
|--------------------|----------------|-------------------|
| Babergh | 180 | £61,758 |
| Mid Suffolk | 186 | £66,448 |

- 10.26 In addition, Real Time Information (RTI) – Bulk Data Matching Initiative is HM Revenue and Customs (HMRC) new system for collecting Pay As You Earn (PAYE) information from employers and pension providers who are required to provide HMRC with income details immediately after each payment they make. The Department for Work and Pensions (DWP) and HMRC have a joint Fraud and Error Strategy and seek to collaborate where possible, especially where one department's assets are of value to the other. Right to Buy is an example of such an asset and provides new opportunities to identify fraud and error across all social security benefits. DWP carries out an exercise matching HMRC RTI against data held on six social security benefits, including HB to identify cases where claimants have either failed to declare or have under declared earnings and/or non-state pension.
- 10.27 The SRP also undertook to take on additional Real Time Information from October 2017 when given the opportunity to participate in the Wider Use RTI initiative. The WURTI initiative has now been renamed VEPs – Verify Earnings and Pensions Service and allows access to HMRC data to access and validate up to date earning information helping to reduce error and minimise the risk of fraud.

Using the above matching SRP have identified £246,699 worth of HB overpayments for Mid Suffolk (467 cases) for the period April 2017 to January 2018 and £313,947 worth of overpayment for Babergh (529 cases). These cases are classified as 'claimant error' for which the Councils receive 40% subsidy back from Central Government. The Councils are also entitled to recover the overpayment of benefit through clawback from existing claimants or through invoice payment arrangements where they are no longer claiming.

National Fraud Initiative (NFI)

- 10.28 The NFI is an exercise that matches electronic data held within, and between public and private sector bodies to prevent and detect fraud. All mandatory participants, including the Councils, must provide data for matching with other local government organisations.
- 10.29 The NFI exercise takes place every two years, with the latest data extraction being completed in October 2016, as part of the 2016/17 exercise.

10.30 Internal Audit take a leading role in co-ordinating this exercise across both Councils and with the Shared Revenues Partnership (SRP) working across working across a number of service areas to support staff in providing data and subsequently investigating and recording the results of matches.

10.31 Resource levels do not allow all NFI matches to be investigated and an assessment of those that appear to be of a higher risk for examination must be carried out.

10.32 Work has started on investigating the recommended matches.

Housing tenancy fraud cases

10.33 Since April 2017 Community Housing Officers have investigated 12 suspected cases of housing-related fraud (5 in Babergh and 7 in Mid Suffolk). These have come about as the result of complaints, intelligence gathered by Community Housing Officers, or following other work undertaken by the Tenant Services team (for example: welfare checks, empty or unkept properties).

10.34 The results are summarised below:

- There have been 11 investigations into concerns that tenants were not occupying a council property as their only or principal home (5 in Babergh and 6 in Mid Suffolk). Of these, 6 cases are now closed with no further action required, 1 case has resulted in the serving of a Notice to Quit and possession of the property, and a further 4 cases are still being investigated.
- There has been 1 investigation into an allegation of ‘unlawful subletting’ (in Mid Suffolk), which was subsequently closed with no further action required.

10.35 The Community Housing Officers, including a member of the Internal Audit team, also attended Tenancy Fraud training to enable them to better identify, and respond to, suspected fraud cases. The feedback from the attendees was very good, and they have since had opportunities to apply their learning.

Right to Buy

10.36 RTB statistics for BMSDC 2016/17 and 2017/18

| | 2016/17 | | 2017/18 | |
|--|---------|-------------|---------|-------------|
| | Babergh | Mid Suffolk | Babergh | Mid Suffolk |
| Number of applications received | 51 | 76 | 51 | 42 |
| Number of applications approved | 36 | 46 | 31 | 26 |
| Number of applications withdrawn/refused * | 15 | 30 | 20 | 16 |

* Reasons for applications being withdrawn/refused include:

| Reason for withdrawal/refusal | Babergh | | Mid Suffolk | |
|---|-----------|-----------|-------------|-----------|
| | 2016/17 | 2017/18 | 2016/17 | 2017/18 |
| Applications denied: <ul style="list-style-type: none"> • Arrangement with Creditors • Property suitable for elderly people • Notice to seeking Possession | 2 | 2 | 2 | |
| Applications withdrawn: <ul style="list-style-type: none"> • No response to the Offer Notice • Reason unknown • Unable to get a mortgage • Change in personal circumstances • Did not arrange a due diligence meeting • Health problems • Potential fraud ** • Detected tenancy fraud • Tenant delayed the process • Applicant to reapply when discount is higher | 3 | 11 | 4 | 3 |
| | 5 | 3 | 15 | 9 |
| | 1 | | 2 | |
| | 1 | 1 | 2 | |
| | 3 | 1 | 2 | 2 |
| | | | 1 | |
| | | | 1 | 1 |
| | | 1 | 1 | |
| | | | | 1 |
| Total | 15 | 20 | 30 | 16 |

** The Money Laundering Reporting Officer (MLRO) reported these cases to the National Criminal Intelligence Service.

Change of bank account details

- 10.37 This type of fraud occurs when someone gets an organisation to change bank account details by purporting to be from a supplier they make regular payments to in order to benefit from unauthorised payments.
- 10.38 In April 2017, Babergh received a letter from a construction firm informing the Council that their bank account details have changed and requested that we amend our records to ensure all future payments are credited to their new bank account.
- 10.39 Part of the Commissioning and Procurement team's due diligence checks are to confirm with the supplier that amended details of this nature are verified back to source information. In this case the company's Finance Section were contacted to confirm the reliability and integrity of the request. They confirmed that no such request had been made and reported the incident to the Police via the Action Fraud line that they had been subject to an attempted fraud.
- 10.40 Internal Audit also contacted Action Fraud and made reference to the company's case reference number. Although the fraud had been averted, had money left the Council's account the Council would have been deemed to be the victim of the fraud.

Looking ahead

10.41 Some areas where a focus can be expected for 2018/19 are as follows:

- Continue ongoing NFI exercise;
- Supporting both Councils to improve levels of awareness of fraud risks amongst staff;
- Work with neighbouring councils to share knowledge and expertise on anti-fraud and corruption measures; and

10.42 The Corporate Manager – Internal Audit currently considers that both Councils have sound anti-fraud and corruption arrangements in place and therefore no further action is required, commensurate with the risks, but the Councils must nevertheless remain vigilant.

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Agenda Item 11

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

| | |
|--|---------------------------------------|
| From: Monitoring Officer | Report Number: JAC/17/22 |
| To: Joint Audit and Standards Committee | Date of meeting: 12 March 2018 |

CODE OF CONDUCT COMPLAINTS MONITORING REPORT

1. Purpose of Report

- 1.1 To report on Code of Conduct complaints received or determined since the last time that such complaints were reported to the Committee.

2. Recommendation

- 2.1 That the content of this report be noted.

3. Financial Implications

- 3.1 In the main the complaints are dealt with within existing service budgets. During this reporting period, in accordance with the complaints procedure, one complaint against a district councillor was referred to an independent investigator. The final invoice for this work is yet to be submitted but the estimated cost of undertaking the investigation was £600 - £1,000.

4. Risk Management

- 4.1 This report is most closely linked with the Councils' Significant Business Risk No. 5c – Failure to develop clear governance arrangements that enable the right decisions to be taken that are appropriate for the environment that we are operating in.

Key Risks are set out below:

| Risk Description | Likelihood | Impact | Mitigation Measures |
|-------------------------------------|-------------------|---------------|----------------------------|
| Complaints are not handled promptly | 2 - Unlikely | 1 - Minimal | Monitoring of complaints |
| Decisions are not sound | 2 - Unlikely | 3 - Bad | Apply adopted procedures |

5. Consultations

- 5.1 An 'independent person' appointed under the Localism Act 2011 has or will be consulted on each complaint.

6. Equality Analysis

- 6.1 An equality impact assessment is not required for this report. All complainants are invited to complete an optional equalities monitoring form when submitting their complaint.

7. Shared Service / Partnership Implications

- 7.1 The same processes are applied across both Councils.

8. Key Information

- 8.1 This report covers complaints received in the 6 months from 1 September 2017 to 28 February 2018. The complaints are listed in the table below:

Table 1: Summary of complaints

| | BDC | MSDC | TOTAL |
|--|------------|-------------|--------------|
| Number of complaints received since last meeting | 20 | 3 | 23 |
| Number of complaints against District Councillors | 6 | 2 | 8 |
| Number of complaints against Parish Councillors | 14 | 1 | 15 |
| Number of complaints upheld & action taken | 1 | 0 | 1 |
| Number of findings of no breach of the Code & no action taken | 8 | 3 | 11 |
| Number of complaints under consideration/ pending decision | 11 | 0 | 11 |

- 8.2 There has been a slight increase in the total number of complaints received compared to the previous six months (19). However, there have been three parishes where multiple, and sometimes reciprocal, complaints have been received around the same issue. The eleven outstanding complaints all relate to a single council where the Monitoring Officer is providing support more widely.
- 8.3 The number of complaints against District Councillors has increased compared to the previous report (5). The majority of these complaints, however, relate to a more wider complaint such as disgruntlement at the outcome of a planning application and only one has been upheld as a breach of the code.
- 8.4 One complaint about a District Councillor went to full investigation and it was found that the code of conduct had been breached. Local resolution has been recommended in respect of this breach and the Councillor is required to apologise and attend training with the Monitoring Officer.
- 8.5 Due to the volume of complaints and other workloads there has been some slippage in terms of responding to complaints within the desired timeframe (these are locally set timescales rather than any statutory deadlines). However the Monitoring Officer has recently appointed the Corporate Manager for Democratic Services as an additional Deputy Monitoring Officer in order to manage the volume and provide increased resilience.

9. Background Papers

None.

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Agenda Item 12

BABERGH AND MID SUFFOLK DISTRICT COUNCILS

| | |
|--|---------------------------------------|
| From: Corporate Manager – Democratic Services | Report Number: JAC/17/23 |
| To: Joint Audit and Standards Committee | Date of Meeting: 12 March 2018 |

JOINT AUDIT AND STANDARDS COMMITTEE FORWARD PLAN 2018

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 |

Date of Committee – 30 July 2018

| Topic | Purpose | Lead Officer |
|---|---|--|
| Constitutional Update | To agree any Constitutional amendments as reported by the Monitoring Officer | Monitoring Officer |
| Complaints Monitoring report | To note | Monitoring Officer |
| Non Salary Expenses | To provide information in relation to non-salary expenses | Corporate Manager – Financial Services |
| Joint Annual Treasury Management Report - 2017/18 | To note and make Recommendations to both full Councils | Corporate Manager – Financial Services |
| Statements of Accounts 2017/18 and Auditor's Report | To approve the final audited Statements of Accounts and the joint external auditor's report for 2017/18 | Corporate Manager – Financial Services |

Date of Committee – 24 September 2018

| Topic | Purpose | Lead Officer |
|-----------------------|--|---------------------|
| Constitutional Update | To agree any Constitutional amendments as reported by the Monitoring Officer | Monitoring Officer |

Date of Committee – 12 November 2018

| Topic | Purpose | Lead Officer |
|-------------------------------------|--|--|
| Constitutional Update | To agree any Constitutional amendments as reported by the Monitoring Officer | Monitoring Officer |
| Complaints Monitoring report | To note | Monitoring Officer |
| Treasury Management Mid Year Report | To review and note the treasury management activity for the first half of the year | Corporate Manager – Financial Services |
| Interim Internal Audit Report | To note the progress of the Audit Plan | Corporate Manager – Internal Audit |