

AUDIT COMMITTEE

AGENDA

Monday 16th May 2016 at 1400 hours in the Council Chamber, The Arc, Clowne

Item No.		Page No.(s)
PART 1 – OPEN ITEMS		
1.	To receive apologies for absence, if any.	
2.	To note any urgent items of business which the Chairman has consented to being considered under the provisions of Section 100(B) 4 (b) of the Local Government Act 1972.	
3.	Members should declare the existence and nature of any Disclosable Pecuniary Interest and Non Statutory Interest as defined by the Members' Code of Conduct in respect of: a) any business on the agenda b) any urgent additional items to be considered c) any matters arising out of those items and if appropriate, withdraw from the meeting at the relevant time.	
4.	Minutes of a meeting held on 12 th April 2016.	To Follow
5.	Reports of the Internal Audit Consortium; Summary of Progress on the 2015/16 Internal Audit Plan.	3 to 7
6.	Reports of the Internal Audit Consortium; Internal Audit Consortium Annual Report 2015/16.	8 to 21
7.	Reports of the Internal Audit Consortium; Review of the Internal Audit Charter.	22 to 31
8.	Reports of the Executive Director – Operations; Annual Governance Statement 2015/16.	32 to 66
9.	Reports of the Executive Director – Operations; Annual Review of the Effectiveness of Internal Audit.	67 to 71
10.	Reports of the Executive Director – Operations; Key Issues of Financial Governance.	72 to 77

Bolsover District Council

Audit Committee

16th May 2016

Summary of Progress on the 2015/16 Internal Audit Plan

This report is public

Purpose of the Report

- To present, for Members information, progress made by the Audit Consortium during the period 25th March 2016 to 6th May 2016, in relation to the 2015/16 Annual Internal Audit Plan. The report includes a summary of Internal Audit Reports issued during the period and work in progress.

1 Report Details

- 1.1 The 2015/16 Consortium Internal Audit Plan for Bolsover was reported to the Audit Committee on the 13th April 2015.
- 1.2 The Consortium Agreement in paragraph 9.3 requires that the Internal Audit Consortium Manager or his or her nominee will report quarterly (or at such intervals as agreed with the Committee) to the Audit Committee of each Council on progress made in relation to their Annual Audit Plan.
- 1.3 Attached, as Appendix 1, is a summary of reports issued covering the period 25th March 2016 – 6th May 2016, for audits included in the 2015/16 Internal Audit Plan.
- 1.4 Internal Audit Reports are issued as drafts with five working days being allowed for the submission of any factual changes, after which time the report is designated as a Final Report. Fifteen working days are allowed for the return of the Implementation Plan.
- 1.5 The Appendix shows for each report a summary of the Overall Audit Opinion on the audit and the number of recommendations made / agreed where a full response has been received.
- 1.6 The overall opinion column of Appendix 1 gives an assessment of the reliability of the internal controls examined in accordance with the following classifications:

Control Level	Definition
Good	A few minor recommendations (if any).
Satisfactory	Minimal risk; a few areas identified where changes would be beneficial.
Marginal	A number of areas have been identified for improvement.
Unsatisfactory	Unacceptable risks identified, changes should be made.
Unsound	Major risks identified; fundamental improvements are required.

1.7 In respect of the audits being reported, it is confirmed that there were no issues arising relating to fraud that need to be brought to the Committee's attention.

1.8 The following audits in respect of 2015/16 are currently in progress and almost complete:

- PSN/Network Security
- Taxi Licences – This audit has been extended to cover safeguarding issues to a greater degree given the issues that have arisen at Rotherham and Oxfordshire

2 Conclusions and Reasons for Recommendation

2.1 To inform Members of progress on the Internal Audit Plans for 2015/16 and the Audit Reports issued.

2.2 To comply with the requirements of the Public Sector Internal Audit Standards.

3 Consultation and Equality Impact

3.1 None

4 Alternative Options and Reasons for Rejection

4.1 Not Applicable

5 Implications

5.1 Finance and Risk Implications

5.1.1 Regular reports on progress against the internal audit plan ensure compliance with the Public Sector Internal Audit Standards and allow members to monitor progress against the plan.

5.2 Legal Implications including Data Protection

5.2.1 None

5.3 Human Resources Implications

5.3.1 None

6 Recommendation

6.1 That the report be noted.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	None
Links to Corporate Plan priorities or Policy Framework	The report is linked to Bolsover District Council's aims and objectives to provide customers with an excellent service.

8 Document Information

Appendix No	Title
Appendix 1	Summary of Internal Audit Reports Issued 25 th March 2016 – 6 th May 2016
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
N/A	
Report Author	Contact Number
Jenny Williams Internal Audit Consortium Manager	01246 217547

BOLSOVER DISTRICT COUNCIL

Appendix 1

Internal Audit Consortium - Report to Audit Committee

Summary of Internal Audit Reports Issued – 25th March 2016 – 6th May 2016

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B023	Cash and Bank	To review and assess the controls and procedures in place	Good	15/03/2016	7/04/2016	2L	2
B024	Main Accounting	To ensure that the controls in place are operating effectively	Good	30/03/2016	20/04/2016	0	0
B025	The Tangent Business Centre	To ensure that all lettings, terminations, rent charges etc are dealt with promptly and accurately	Good	31/03/2016	21/04/2016	1L	1
B026	Budgetary Control	To verify that there are sound budgetary control procedures in place	Good	11/04/2016	3/05/2016	0	0

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B027	Members Allowances	To ensure that allowances are paid in accordance with the scheme	Satisfactory	11/04/2016	3/05/2016	4 (2M 2L)	4
B028	Data Protection	To review and assess the controls and procedures in place	Satisfactory	26/04/2016	18/05/2016	3H	Note 1

Notes: For recommendations, H = High priority, M = Medium priority and L = Low Priority.

Note 1 Response not due at time of writing report

Bolsover District Council**Audit Committee****16th May 2016****Internal Audit Consortium 2015/16 Annual Report to Bolsover District Council**

This report is public

Purpose of the Report

The purpose of this report is to:

- Present a summary of the internal work undertaken during 2015/16 from which the opinion on the internal control environment is derived
- Provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion
- Draw attention to any issues that need to be considered for inclusion in the Annual Governance Statement
- Compare work actually undertaken with that which was planned and summarise performance
- Comment on compliance with the Public Sector Internal Audit Standards
- Comment on the results of the quality assurance programme
- Confirm progress against the improvement plan and to present the new improvement plan
- Confirm the organisational independence of internal audit
- Review the performance of the Internal Audit Consortium against the current Internal Audit Charter

1 Report Details

- 1.1 Appendix 1 details the audit reports issued in respect of audits included in the 2015/16 internal audit plan. The appendix shows for each report the overall opinion on the reliability of the internal controls. An additional column shows the opinion given at the last audit for information. The report opinions can be summarised as follows:

Control Level	Number of Reports	Percentage 2015/16	Percentage 2014/15
Good	17	60.7	70.4
Satisfactory	8	28.6	18.5
Marginal	3	10.7	11.1
Unsatisfactory	0	0	0
Unsound	0	0	0
Total	28	100	100.0

- 1.2 A definition of the above control levels is shown in Appendix 1.
- 1.3 There were no issues relating to fraud arising from the reports detailed in Appendix 1.
- 1.4 The following table summarises the performance indicators for the Internal Audit Consortium as detailed in the Internal Audit Service Plan:

Description	2015/16		2016/17
	Plan	Actual	Plan
Cost per Audit Day	£279	£237	£286
Percentage Plan Completed	96%	93% (1)	96%
Sickness Absence (Days per Employee)	8.5 (Corporate Target)	11(2)	8.5 (Corporate Target)
Customer Satisfaction Score (see para 11 below)	80%	94%	85%
To issue internal audit reports within 10 days of the close out meeting.	90%	100%	90%
Number/proportion of audits completed within time allocation	80%	71% (3)	80%
% 2015/16 Agreed recommendations implemented by due date	80%	72% (4)	80%
Quarterly reporting to Audit Committee	90%	100%	90%

1) In respect of the 2015/16 internal audit plan, 100% of the plan will be completed however the last 2 reports in respect of PSN/Network security and taxi licences are in the process of being finalised. The audit testing in respect of taxi licences has been expanded to cover in more detail areas in relation to safeguarding due to the issues arising in relation to child exploitation at Rotherham. These reports will be issued and reported during the 2016/17 financial year.

2) Due predominantly to 1 long term sickness case, the employee has now returned to work

3) Due predominantly to having a new member of staff that is in the process of being trained.

4) The Internal Audit Consortium's improvement plan at Appendix 3 details how efforts will be made to try and improve this figure.

OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE CONTROL ENVIRONMENT

- 1.5 In respect of the main financial systems, Appendix 1 shows that internal controls were found to be operating satisfactorily or well, giving an overall confidence in the internal control system operating in relation to these systems.

- 1.6 Overall, 89.3% of the areas audited received a good or satisfactory opinion demonstrating that there are effective systems of governance, risk management and control in place. The table at 1.1 demonstrates that controls are on a par with the previous year. There were no areas that were judged to be unsatisfactory or unsound.
- 1.7 There were 3 marginal reports issued during the year where only limited assurance on the reliability of internal controls can be given. Management have agreed the recommendations made and are actively working to implement them.

ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT

- 1.8 The internal control issues arising from audits completed in the year have been reported to the Director of Operations for consideration during the preparation of the Annual Governance Statement. There have been no unsatisfactory or unsound reports issued in 2015/16 however, health and safety has been raised as a significant governance issue.

COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN

- 1.9 The Internal Audit Plan for 2015/16 was approved by the Audit Committee on the 13th April 2015.
- 1.10 A comparison of planned audits with audits completed is shown as Appendix 2. Overall 100% of planned audits will be completed (currently 93%) however the last two reports are in the process of being finalised and will be issued and reported on in the 2016/17 financial year.

COMPLIANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS AND OTHER QUALITY ASSURANCE RESULTS

- 1.11 During 2015/16 a self assessment was undertaken to review compliance with the Public Sector Internal Audit Standards. The review confirmed that there were no significant areas of non compliance.
- 1.12 Progress against the last improvement plan was reported to this Committee in June 2015. With the exception of the external review of internal audit and ongoing targets that improvement plan has been completed. Appendix 3 shows the new improvement plan for the Consortium that will ensure the service continually moves forward and develops.
- 1.13 It can also be confirmed that the internal audit activity is organisationally independent. Internal audit reports to the Director of Operations but has a direct and unrestricted access to senior management and the Audit Committee.
- 1.14 Quality control procedures have been established within the internal audit consortium as follows:
- Individual Audit Reviews – Working papers and reports are all subject to independent review to ensure that the audit tests undertaken are appropriate, evidenced and the correct conclusions drawn. All reports are reviewed to ensure that they are consistent with working papers and in layout. Whilst these

reviews may identify issues for clarification, the overall conclusion of the quality assurance checks is that work is being completed and documented thoroughly.

- Customer Satisfaction – A Customer Satisfaction Survey form is issued with each report. This form seeks the views of the recipient on how the audit was conducted, the report and recommendations made.
- Client Officer Views – A survey form has been issued to the client officer seeking his views on the overall performance of the Internal Audit Consortium for the year in achieving the objectives set out in the Internal Audit Charter.
- All staff have been provided with a copy of the Public Sector Internal Audit Standards and the Internal Audit manual has been updated to reflect the requirements of the standards and issued to all staff.

1.15 The above quality control procedures have ensured conformance with the PSIAS.

1.16 Based on the customer satisfaction survey forms returned, the average score was 94% for customer satisfaction during 2015/16 (2014/15 result 85.3%).

1.17 The results of the Client Officer survey for Bolsover was a score of 91.4% (32 out of a maximum of 35 - for the seven areas reviewed this represented 4 'very good' scores and 3 'good' score). The 2014/15 score was also 91.4%.

REVIEW OF PERFORMANCE OF THE INTERNAL AUDIT CONSORTIUM AGAINST THE CURRENT INTERNAL AUDIT CHARTER

1.18 The Audit Charter was last reported to and approved by the Audit Committee in September 2015 and is also scheduled for approval elsewhere on this meeting's agenda as it has been updated to reflect the April 2016 updates to the Public Sector Internal Audit Standards.

1.19 Based on the information provided in this report on the completion of the 2015/16 internal audit plan, it is considered that the requirements of the Charter were met during the year.

2 Conclusions and Reasons for Recommendation

2.1 To present to Members the annual report for the Internal Audit Consortium in respect of Bolsover District Council for 2015/16.

2.2 To ensure compliance with the Public Sector Internal Audit Standards.

2.3 To provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion.

3 Consultation and Equality Impact

3.1 Not Applicable.

4 Alternative Options and Reasons for Rejection

4.1 Not applicable.

5 Implications

5.1 Finance and Risk Implications

This report ensures that Members are aware of the work undertaken by internal audit during 2015/16 and the Internal Audit Consortium Managers opinion on the adequacy and effectiveness of the systems in place at Bolsover District Council.

5.2 Legal Implications including Data Protection

None.

5.3 Human Resources Implications

None

6 Recommendation

6.1 That the Internal Audit Consortium Annual Report for 2015/16 be noted.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	None
Links to Corporate Plan priorities or Policy Framework	The internal audit plan helps to achieve the corporate aim "Strategic Organisational Development" which looks to continually improve the organisation.

8 Document Information

Appendix No	Title
Appendix 1	Internal Audit Reports issued 2015/16
Appendix 2	Comparison of Planned Audits to Audits Completed 2015/16
Appendix 3	Internal Audit Consortium Improvement Plan April 2016
Background Papers	
Report Author	Contact Number
Jenny Williams Internal Audit Consortium Manager	01246 217547

Bolsover District Council – Internal Audit Reports Issued 2015/16

Ref	Report Title	Overall Opinion 2015/16	Overall Opinion Previous Audit
1	Corporate Target	Good	Satisfactory
2	Creswell Leisure Centre	Marginal	Satisfactory
3	Non Domestic Rates	Good	Good
4	Stores	Marginal	Satisfactory
5	Disabled Facilities Grants	Good	Good
6	Health and Safety	Marginal	Satisfactory
7	Housing Benefits and Council Tax Support	Good	Good
8	Commercial Waste	Satisfactory	Satisfactory
9	Treasury Management	Good	Good
10	Recruitment and Selection	Marginal	Satisfactory
11	Council Tax	Good	Good
12	Housing Rents	Good	Good
13	Transparency Agenda	Satisfactory	N/A
14	Sundry Debtors	Good	Good
15	Expenses and Allowances	Good	Satisfactory
16	Pleasley Vale Outdoor Centre	Good	Good
17	ICT Disaster Recovery Arrangements	Good	Satisfactory
18	Procurement	Satisfactory	Marginal
19	Creditors	Good	Good
20	Housing Repairs	Good	Satisfactory
21	Payroll	Satisfactory	Good
22	Risk Management	Satisfactory	Good
23	Cash and Bank	Good	Satisfactory
24	Main Accounting	Good	Good
25	The Tangent Business Centre	Good	Good
26	Budgetary Control	Good	Good
27	Members Allowances	Satisfactory	Satisfactory
28	Data Protection	Satisfactory	Satisfactory

Control Level	Definition
Good	A few minor recommendations (if any).
Satisfactory	Minimal risk; a few areas identified where changes would be beneficial.
Marginal	A number of areas have been identified for improvement.
Unsatisfactory	Unacceptable risks identified, changes should be made.
Unsound	Major risks identified; fundamental improvements are required.

INTERNAL AUDIT CONSORTIUM**BOLSOVER DISTRICT COUNCIL****Comparison of Planned Audits to Audits Completed 2015/16**

Main Financial Systems – Planned Audits	Progress as at 31st March 2016
Main Accounting System	In Progress
Budgetary Control	In Progress
Payroll	Complete
Creditor Payments	Complete
Debtors	Complete
Treasury Management (Loans and Investments)	Complete
Cash and Banking	In Progress
Council Tax	Complete
Non Domestic Rates	Complete
Housing / Council Tax Benefit	Complete
Housing Rents	Complete
Housing Repairs	Complete
Stores	Complete
Expenses and Allowances	Complete

Other Operational Audits – Planned Audits	Progress as at 31st March 2016
Operations Directorate	
Commercial Waste	Complete
Contract final accounts	Ongoing
Cash floats and balances	Complete
Growth Directorate	
Disabled Facilities Grants	Complete
The Tangent Business Centre	In Progress
Taxi Licences	In Progress
Transformation Directorate	
Members Expenses	In Progress
Creswell Leisure Centre	Complete
Pleasley Vale Outdoor Centre	Complete
Health and Safety	Complete

Computer / IT Related – Planned Audits	Progress as at 31st March 2016
PSN Compliance/Network Security	In Progress
Disaster Recovery	Complete

Fraud and Corruption – Planned Audits	Progress as at 31st March 2016
Fraud Modules	Complete
National Fraud Initiative	Complete
Recruitment and Selection	Complete

Corporate / Cross Cutting Issues – Planned Audits	Progress as at 31st March 2016
Corporate Governance/ Assurance Statement	Complete
Financial Advice/Working Groups	Input to working group
Procurement/Contract Monitoring	In Progress
Corporate Targets	Completed
Risk Management	Complete
Data Protection	In Progress
Transparency Agenda	Complete

Client Officer / SMT Issues	Progress as at 31st March 2016
Alliance Accounts / NFI Key Contact Assistance	On going

Special Investigations / Contingency	As required
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Audit Committee / Client Liaison	On going
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Internal Audit Consortium Improvement Plan April 2016

Improvement Area	Current Situation	Action Required	Implementation Date / Officer Responsible
PSIAS requires an external assessment of internal audit to be undertaken at least once every 5 years with the first one being due by the end March 2018	Budget has been agreed by Joint Board. Consultation has taken place with the Audit Committees in relation to the review (April 2016).	a) To agree a specification for the review with the project Sponsors (Head of Finance, Director of Operations, Head of Resources) b) To advertise the contract on source Derbyshire via the Royal Hospital Procurement Service c) To assess quotations and appoint a reviewer d) To facilitate the review e) To present the findings to each audit Committee f) To implement the resulting action plan	Internal Audit Consortium Manager April/May 2016 May/June 2016 June/July 2016 August – Dec 16 December 2016 To be agreed when review is completed

Improvement Area	Current Situation	Action Required	Implementation Date / Officer Responsible
<p>The Standards state that Internal Auditors are encouraged to demonstrate their proficiency by obtaining professional certifications.</p> <p>The skills and competencies required by each level of Auditor should be defined and continuous professional development should be in place</p>	<p>Two Auditors are studying for AAT and one Auditor is studying for CIPFA. All other Seniors/Auditors have their AAT qualification and one senior Auditor has the IIA qualification as well. The Internal Audit Consortium Manager is CIPFA qualified. The last training needs assessment was undertaken in June 2013, since then one part time Auditor has been appointed and another temporary Auditor</p>	<p>The training needs assessment should be reviewed and updated. This should take account of the new Auditors needs and also the continuous professional development needs of the rest of the team. This will be aligned with employee development reviews that are taking place in April/May 2016.</p>	<p>Internal Audit Consortium Manager</p> <p>June 2016</p>

Improvement Area	Current Situation	Action Required	Implementation Date / Officer Responsible
The policy states that policies and procedures should be regularly reviewed and updated to reflect changes in working practices and standards	Procedures and working practices have been fully reviewed as part of the review of the structure and job descriptions in 2015. A new structure was implemented from December 2015 Test schedules are reviewed at the start of each audit but there is scope to review more fully in the light of risk, governance and VFM.	To ensure that the revised structure is effective and meets the needs of the constituent Council's	Internal Audit Consortium Manager Ongoing
		Review the audit Charter and Audit Manual in relation to the revised PSIAS that came in to effect from April 2016	Internal Audit Consortium Manager April – June 2016
		To review the test schedules for the main financial system to ensure still fully relevant and risk based.	Senior Auditors March 2017 And ongoing process
		To review other test schedules to ensure they still focus on key risk and governance areas.	Internal Audit Consortium Manager Ongoing process
		To develop test schedules for Safeguarding, Social Media, BACS	Internal Audit Consortium Manager/ Senior Auditors June - December 2016

Improvement Area	Current Situation	Action Required	Implementation Date / Officer Responsible
The standards ask if the internal audit activity has evaluated the potential for fraud and also how the organisation itself manages fraud risk	<p>The IAC has developed a fraud risk register.</p> <p>The “Protecting the public purse” checklist has been completed and any identified weaknesses addressed.</p> <p>The Audit Commission’s fraud modules are completed whilst undertaking main system reviews</p> <p>Participation in NFI</p> <p>Completion of the annual TEICCAF (The European Institute for combatting Corruption and Fraud) fraud survey.</p> <p>Attendance at the TEICCAF Annual fraud conference</p>	<p>To review each Council’s arrangements against the checklist attached to the Fighting Fraud and Corruption Locally Strategy 2016 – 19</p> <p>Complete Checklist</p> <p>Formulate an action plan if required</p> <p>Report to Audit Committees</p> <p>Implement action plan</p>	<p>Internal Audit Consortium Manager/ Head of Finance/ Director of Operations/ Head of Resources</p> <p>June/July 2016</p> <p>June/July 2016</p> <p>September 2016</p> <p>July onwards</p>

Improvement Area	Current Situation	Action Required	Implementation Date / Officer Responsible
The Standards state that the internal audit activity should assess and make appropriate recommendations for improving the governance process.	The Internal Audit Consortium Manager writes the AGS for CBC and is part of an AGS working party for NEDDC/BDC. This involves a review of the CIPFA assurances and liaison with senior management. In April 2016 CIPFA have published "Delivering Good Governance in Local Government Framework 2016"	To review CIPFA's 2016/17 Delivering Good Governance publication and review each Council's compliance with this.	Internal Audit Consortium Manager Review summer 2016 implement for 2016/17 AGS

Improvement Area	Current Situation	Action Required	Implementation Date / Officer Responsible
The Standards require that the Head of Audit establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action	A system has been established for flagging recommendations that have not been confirmed as implemented at CMT/Quarterly directorate meetings. However the target PI for the % of recommendations implemented by their due date was not reached for the 2015/16 year.	The Internal Audit Consortium Manager/Senior Auditors need to establish a more pro-active approach to contacting managers to ensure that recommendations are confirmed as implemented promptly and if not escalating as appropriate	Internal Audit Consortium Manager/Senior Auditors Ongoing

Bolsover District Council

Audit Committee

16th May 2016

<u>Internal Audit Charter</u>

Purpose of the Report

- To report to Members for information and approval the results of a review of the Internal Audit Charter. The Charter was not due for review until September 2016 however the Public Sector Internal Audit Standards were revised in April 2016 and therefore the Internal Audit Charter has been updated accordingly.

1 Report Details

The Public Sector Internal Audit Standards (PSIAS) which took effect from the 1 April 2013 require that the purpose, authority and responsibility of internal audit must be formally defined in an internal audit charter. In September 2013 and again in September 2015 the Internal Audit Charter was formally approved by the respective Audit Committee Members.

The PSIAS were updated in April 2016. Two changes have been made, the first is to introduce a mission statement for Internal Audit “To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight”. The second change is in relation to adopting the 10 core principles for the professional practice of internal auditing, these are:-

1. Demonstrates integrity.
2. Demonstrates competence and due professional care
3. Is objective and free from undue influence (independent)
4. Aligns with the strategies, objectives and risks of the organisation.
5. Is appropriately positioned and adequately resourced.
6. Demonstrates quality and continuous improvement.
7. Communicates effectively.
8. Provides risk-based assurance.
9. Is insightful, proactive, and future-focused.
10. Promotes organisational improvement.

The Internal Audit Charter is attached as Appendix 1 and has been updated to reflect these changes.

2 Conclusions and Reasons for Recommendation

- 2.1 To ensure that the Internal Audit Charter remains a current document and complies with the requirements of the PSIAS.

3 Consultation and Equality Impact

3.1 None.

4 Alternative Options and Reasons for Rejection

4.1 None.

5 Implications

5.1 Finance and Risk Implications

5.1.1 The adoption of the Internal Audit Charter will help to ensure that the Internal Audit Consortium continues to provide a quality service in line with the PSIAS.

5.2 Legal Implications including Data Protection

5.2.1 None

5.3 Human Resources Implications

5.3.1 None

6 Recommendations

6.1 That Members note the outcome of the review of the Internal Audit Charter.

6.2 That, subject to any comments Members may wish to make, that the updated Internal Audit Charter be agreed.

6.3 That the agreed Internal Audit Charter be reviewed in 2 years time or sooner in the event of any significant changes being made to the Public Sector Internal Audit Standards.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	N/A
Links to Corporate Plan priorities or Policy Framework	The report is linked to BDC's aims and objectives to provide customers with an excellent service.

8 Document Information

Appendix No	Title
1	Internal Audit Charter
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Public Sector Internal Audit Standards April 2016	
Report Author	Contact Number
Jenny Williams Internal Audit Consortium Manager	01246 217547

BOLSOVER, CHESTERFIELD AND NORTH EAST DERBYSHIRE DISTRICT COUNCILS'

INTERNAL AUDIT CHARTER

INTRODUCTION

1. The Public Sector Internal Audit Standards (PSIAS) which took effect from 1 April 2013 require the adoption of an Internal Audit Charter. The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit Consortium that have been established to provide the internal audit service to the three Councils'.

PSIAS/REGULATORY BASIS OF OPERATION

The adoption of the PSIAS is mandatory and includes a

- Definition of Internal Auditing
 - Code of ethics
 - International Standards for the Professional Practice of Internal Auditing
3. The Mission of Internal Audit is:-

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.
 4. The Internal Audit Consortium adopts the PSIAS and the purpose and definition of Internal Audit as specified by the PSIAS:-

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes
 5. The Internal Audit Consortium also adopts the Core Principles for the Professional Practice of Internal Auditing. These are that the Consortium:-
 - Demonstrates integrity.
 - Demonstrates competence and due professional care
 - Is objective and free from undue influence (independent)
 - Aligns with the strategies, objectives, and risks of the organisation,
 - Is appropriately positioned and adequately resourced
 - Demonstrates quality and continuous improvement
 - Communicates effectively
 - Provides risk-based assurance.

- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

The requirement for an internal audit function in local government is specified within the Accounts and Audit (England) Regulations 2015, which state:

A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account public sector internal auditing standards or guidance.

6. The Consortium agreement details how the Consortium will operate in terms of finance, staffing, reporting and independence.
7. Internal Audit is also governed by policies, procedures, rules and regulations established by the host Council. These include Financial Regulations, Conditions of Service, Codes of Conduct and Anti-Fraud and Corruption strategies.
8. Where key services are to be provided to one of the partner Councils' by other contractors or through a partnership, in order for internal audit to form an opinion on the controls operating, a right of access to relevant information and documents should be included in contracts or agreements concerned.

DEFINITIONS

9. The PSIAS require that the Charter must define the terms "Board" and "Senior Management" for the purposes of internal audit activity.
10. The PSIAS glossary defines the board as:

The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation. Typically this includes an independent group of directors (e.g. a board of directors, a supervisory board or a board of governors or trustees). If such a group does not exist, the "board" may refer to the head of the organisation, "Board" may refer to an audit committee to which the governing body has delegated certain functions.

11. At Chesterfield Borough Council the "Board" will be the Standards and Audit Committee.

At Bolsover District Council the "Board" will be the Audit Committee

At North East Derbyshire District Council the "Board" will be the Corporate Governance and Audit Committee.

12. In addition to this the Joint Board will approve and monitor the annual business plan and financial position of the Consortium.
13. "Senior Management" – those responsible for the leadership and direction of the Council. This will be each Council's Senior Management Team.

14. The PSIAS adopt the term “Chief Audit Executive”, this role is met by the Internal Audit Consortium Manager.

SCOPE AND OBJECTIVES OF INTERNAL AUDIT

15. The scope of the Internal Audit Consortium encompasses the examination and evaluation of the adequacy and effectiveness of each organisation’s governance, risk management and internal control processes in relation to each organisation’s defined goals and objectives.
16. The Audit Consortium’s remit covers all functions and services for which the Council’s are responsible and this extends to the entire control environment of the organisations and not just financial controls.
17. The Consortium will objectively examine, evaluate and report on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
18. The internal audit service will be delivered on the basis of a risk assessment of auditable areas at each of the partner authorities. A predominantly systems based approach to most audits will be adopted.
19. The internal control system comprises the whole network of systems established within each partner authority to provide reasonable assurance that corporate objectives will be achieved, with particular reference to:
- Consistency of operations with established objectives and goals,
 - The reliability and integrity of financial and operational information,
 - The effectiveness and efficiency of operations and programmes,
 - Safeguarding of assets and interests from losses of all kinds, including those arising from fraud, irregularity and corruption,
 - Compliance with laws, regulations, policies, procedures and contracts,
 - The economic and efficient use of resources (value for money) and effective monitoring systems and optimum use of performance management information.
20. With the introduction of the PSIAS, internal audit may also provide “consultancy” services. This work could take any form, provided that the independence of the service is not compromised, but will typically include special reviews or assignments where requested by management, which fall outside the approved plan and for which a contingency is included in the audit plan. There will be no significant consultancy work undertaken without the approval of the relevant Audit Committee.

RESPONSIBILITIES AND REPORTING

21. The PSIAS requires that the Internal Audit Charter should establish the responsibilities and reporting arrangements of internal audit.
22. The Internal Audit Consortium Manager reports directly to each Council’s Audit Committee and to each Chief Financial Officer. The Internal Audit Consortium Manager also has direct access to each Council’s Chief Executive, Monitoring Officer and where necessary elected Members

23. The Internal Audit Consortium Manager will manage the provision of the Internal Audit service to each Council by: -
- Preparing each year in advance a risk based audit plan for discussion and agreement by each council's Client Officer and approval by the Audit Committee. Any in-year significant changes to the audit plan shall be agreed by the respective Client Officers and Audit Committees,
 - Preparing the internal audit budget and resource plan for approval by the Joint Board,
 - Presenting an annual report to each Council's Audit Committee that meets the requirements of the PSIAS and includes:-
 - An overall opinion on the adequacy and effectiveness of the organisation's control environment (including any qualifications to that opinion),
 - Presents a summary of the audit work from which the opinion is derived, including reliance placed on the work by other assurance bodies,
 - Draws attention to any issues the Internal Audit Consortium Manager judges particularly relevant to the preparation of the Annual Governance Statement,
 - Compares work actually undertaken with work that was planned and to report relevant performance measures and targets.
 - Presenting periodic reports to each Audit Committee summarising all internal audit reports issued and if considered necessary providing copies of the reports,
 - Formally report the findings and recommendations of audit work to senior management and the respective Audit Committee throughout the year. Audit reports will:-
 - Include an audit opinion on the reliability of the internal controls in the system or area audited,
 - Identify inadequately addressed risks and non-effective control processes,
 - Detail management's response and timescale for corrective action,
 - Identify issues of good practice.
 - Ensuring audit work is supervised, reviewed, recorded and reported,
 - Implementing a follow up process for ensuring the effective implementation of audit recommendations or ensuring senior management are aware of the consequences of not implementing a recommendation and are prepared to accept the risk,
 - Liaising as needed with the External Auditor for each Council and with other regulators,
 - Maintaining and managing a risk assessment in relation to the functions of the Consortium,
 - Ensuring that there is an up to date Audit Manual in place setting out expected standards for the service, and monitoring compliance with these standards, including in relation to the planning, conduct, quality assurance and reporting of audit assignments.
24. Senior managers should assist audit to discharge their duties by:
- The prompt provision of information and explanations,
 - Providing input to the audit plan to ensure attention is focused on areas of greatest risk,
 - Informing the Audit Consortium of any plans for change, including new systems,

- Responding to the draft internal audit report, including provision of management responses to recommendations, within the timescale requested by the audit team,
- Implementing agreed management actions in accordance with agreed timescales,

25. The respective Audit Committees must:

- Approve the Internal Audit Charter,
- Approve the risk based internal audit plan,
- Receive progress reports and an annual report from the Internal Audit Consortium Manager in respect of the audit plan,
- Approve any large variances or consulting services not already included in the audit plan.

26. The Joint Board will:

- Approve the internal audit budget and outturn.

AUDIT RESOURCES

27. The Chief Financial Officer at each Council will ensure that the Audit Consortium has the necessary resource to enable the Internal Audit Consortium Manager to be able to give an annual evidence-based opinion.
28. The staffing and budget of the Internal Audit Consortium will be kept under review by the Internal Audit Consortium Manager, bearing in mind the resource requirements identified in the audit plan process. Where resources available do not match the resource requirements identified by the annual audit plans, the Internal Audit Consortium Manager will report to the Joint Board.
29. The Internal Audit Consortium Manager will be professionally qualified (CMIIA, CCAB or equivalent) and have wide internal audit and management experience. The Internal Audit Consortium Manager will ensure that the internal audit service is appropriately skilled in terms of qualifications, knowledge and experience.

QUALITY AND ASSURANCE PROGRAMME

30. The PSIAS state that a quality assurance and improvement programme must include both internal and external assessments. Internal assessments should be ongoing and periodical and external assessments must be undertaken at least once every 5 years.
31. All internal audits are subject to a management quality review. Policies and procedures to guide staff in performing their duties have been established within the audit manual.
32. The internal periodic self assessment of internal audit will be undertaken by completing the checklist for assessing conformance with the PSIAS included within the PSIAS Application Note.
33. External assessment can be satisfied by either arranging a full external assessment or by undertaking a self assessment with independent validation. External assessments must be by a qualified, independent assessor from outside the

organisations. The Internal Audit Consortium Manager must discuss the format of the external assessments and the qualifications and independence of the assessor with the Audit Committee.

34. An external assessment of the internal audit function will take place at least once every 5 years and the results reported back to the Audit Committee of each Council.
35. The results of the quality and assurance programme and progress against any improvement plans must be reported in the annual report.

INDEPENDENCE, AUTHORITY AND ETHICS

36. In order to achieve its objectives effectively, Internal Audit must be seen to be independent. Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that no quality compromises are made.
37. The scope of internal audit allows for unrestricted access at each partner authority to all records, personnel, premises and assets deemed necessary to obtain information and explanations as it considers necessary to fulfil its responsibilities in the course of the audit. Such access shall be granted on demand and not subject to prior notice.
38. This right of access is included in the agreement signed by the three authorities establishing the Internal Audit Consortium and in each authority's Financial Regulations. In addition, where necessary, the Internal Audit Consortium Manager will have unrestricted access at each authority to:
 - The Chief / Deputy Chief Executive
 - The Chief Financial Officer
 - Members
 - The Monitoring Officer
 - The Chair and Members of the Audit Committee
 - Individual Directors / Heads of Service
 - All Other Employees
 - The External Auditor
39. The Internal Audit Consortium Manager will confirm to the Audit Committees' at least annually, the organisational independence of the internal audit activity.
40. Independence is further achieved by:
 - Reporting to the Audit Committee and senior management at each authority,
 - Not being part of system and procedures being audited,
 - Rotating responsibility for audit assignments within the audit team,
 - Completing declaration of interest forms on an annual basis,
 - Internal Audit staff not undertaking an audit in an area where they have had operational roles for at least two years.
41. If any member of the Internal Audit Consortium considers there is or could be a conflict of interest, this must be declared to the Internal Audit Consortium Manager who will direct alternative and independent resources to the audit.

42. Where internal audit staff are required to undertake non-audit duties, the Internal Audit Consortium Manager will make it clear that those audit staff are not fulfilling those duties as internal auditors. The Internal Audit Consortium Manager will ensure that within the service there remains sufficient impartiality to enable the actions and activities of those internal audit staff to be subject to audit by those independent from the activity.
43. Internal auditors must conform to the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Ethics in addition to those of other professional bodies of which they hold membership.
44. The Code of Ethics promotes an ethical, professional culture to ensure fairness, objectivity and freedom from conflicts of interest. The key principles are;
 - Integrity – to establish trust thus providing reliance on their judgement;
 - Objectivity – in gathering, evaluating and communicating information about the activity or process being examined in order to make a balanced assessment of all relevant circumstances without influence;
 - Confidentiality – to respect the value and ownership of information received which should not be disclosed without appropriate authority or a legal or professional obligation to do so, nor be used for personal gain; and
 - Competence – to apply knowledge, skills and experience appropriately.

FRAUD AND CORRUPTION

45. Managing the risk of fraud and corruption is the responsibility of management. Each Council has an Anti Fraud and Corruption strategy and a zero tolerance towards fraud.
46. The Internal Audit Consortium Manager should be notified of all suspected or detected fraud, corruption or impropriety in accordance with each Council's Financial Regulations and Anti Fraud and Corruption strategies, in order to inform their opinion of the internal control environment.
47. Subject to availability of resources with the internal audit plan, internal audit may assist management in the investigation of suspected fraud and corruption.
48. The Internal Audit Consortium Manager will report any instances of fraud detected as a result of audits undertaken to the Audit Committee.

REVIEW OF THE INTERNAL AUDIT CHARTER

49. The Internal Audit Charter will be reviewed every 2 years by the Internal Audit Consortium Manager and will be reported to each Council's Audit Committee for approval.

Bolsover District Council

AUDIT COMMITTEE

16th MAY 2016

<p><u>ANNUAL GOVERNANCE STATEMENT 2015/16</u></p>
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Report of the Executive Director - Operations

Purpose of the Report

- To seek the agreement of the Audit Committee to the conclusions and content of the Annual Governance Statement which it is proposed to incorporate within the Council's Statement of Accounts for 2015/16.
- To increase awareness of Governance Issues amongst Members and Employees of the Council and more generally amongst all stakeholders.
- While previously this Committee has had the opportunity to consider the final version of the Statement as part of the Draft Statement of Accounts it should be noted that given the accelerated timetable for the closure of the accounts this process will need to be revised. In line with the accelerated timescale for the preparation of the draft Statement of Accounts the Chief Financial Officer will approve the Statements (including the Annual Governance Statement) for issue prior to the end of May 2016. The Audit Committee will retain the responsibility of approving the final version of the Statement following the conclusion of the External Audit at its meeting on 21st September 2016.

1 Report Details

- 1.1 As part of its Statement of Accounts the Council has been required to include an Annual Governance Statement with effect from the 2007/08 Financial Year. Preparation of the Statement needs to be undertaken in line with the CIPFA (Chartered Institute of Public Finance and Accountancy / SOLACE (Society of Local Authority Chief Executives and Senior Managers) framework which sets out the fundamental principle of corporate governance that need to be addressed within the Annual Governance Statement. The CIPFA / SOLACE Framework sets out the following principles which Authorities should follow:

- Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust accountability.

One of the key purposes of the Annual Governance Statement is to assess the extent to which the above key principles are in place within an authority and are adhered to in practice. In short it is an annual assessment process for the Council's Governance arrangements. In previous years as part of this process it was considered appropriate to review the Council's Code of Corporate Governance. CIPFA / SOLACE issued new guidance in the April of 2016 which applies with effect from the 2016/17 financial year, with the 2015/16 Annual Governance Statement to be compiled on the basis of the previous guidance. Accordingly for this year the revision to the Code of Corporate Governance- which will be undertaken on the basis of the April 2016 guidance - will be handled separately to the preparation of the Annual Governance Statement which is the focus of this report.

1.2 In addition to considering the fundamental principles as set out above, a key principle for CIPFA/SOLACE is that the Annual Governance Statement is a corporate document, which must be owned by the whole organisation. It should not be regarded purely as a technical statement within the Council's Statement of Accounts. In order to maintain awareness of the principles of good governance which underpin both the Code and the Annual Governance Statement it is considered appropriate that a recommendation is made that an appropriate awareness raising session is provided to a wider group of Elected Members by way of a report to Council, to Budget Scrutiny Committee or as part of the Member Development Programme. This raising awareness of the importance of Corporate Governance will be managed this year as part of the process of launching the Code of Corporate Governance which will be based upon the revised 2016 CIPFA / SOLACE guidance.

1.3 CIPFA / SOLACE issued revised guidance in December 2012 which continues to apply with respect to the 2015/16 Annual Governance Statement. The Council has purchased a corporate licence for this document in electronic format copies which continues to be available to Members. While the revised guidance does provide a revised example good practice statement its main focus has switched from the Governance Statement itself to ensuring that local authorities have in place their own codes of governance and are effectively discharging their responsibility for the proper conduct of business. This is summarised in the introduction to the Addendum which puts the position as follows:

“The principles and standards set out in the Framework are aimed at helping local authorities to develop and maintain their own codes of governance and discharge their accountability for the proper conduct of business. The Framework is helping authorities to improve their performance, give local people better local services and provide stronger leadership for communities.

The Framework emphasises the importance of good governance to the wider outcomes of good management, good performance, and good public engagement. It puts high standards of conduct and leadership at the heart of good governance, placing responsibility on members and officers to demonstrate leadership by behaving in ways that exemplify

high standards of conduct, and so set the tone for the rest of the organisation.”

In terms of the Annual Governance Statement itself the revised guidance is less prescriptive and recognises the need for the Statement to be adapted to the particular circumstances of individual local authorities. This change in emphasis reflects the introduction of the Localism agenda which amongst other changes has seen the move away from a national framework to one where greater responsibility is placed upon individual local authorities.

- 1.4 In order to assist Audit Committee in making a decision regarding the appropriateness of the draft Annual Governance Statement which is presented as **Appendix 1** to this report, a number of factors need to be taken into account. These are set out in the paragraphs which follow.
- 1.5 A key issue to be considered is the process which has been adopted in order to arrive at the Annual Governance Statement. The actual preparation has been undertaken by a group of officers chaired by the Executive Director – Operations (Section 151 Officer). The group of officers has included representatives from the Governance Team, Scrutiny, Internal Audit, Improvement and Finance. The Annual Governance Statement has been taken to the Strategic Alliance Management Team for its comments, and considered by the portfolio Members of Executive. It is considered that these processes are appropriate for ensuring corporate ownership of the Governance Statement. The Draft Annual Governance Statement for consideration and approval by this Committee is attached as **Appendix 1**. While it is anticipated that the version considered by the Audit Committee will be the final version of the Annual Governance Statement there may be a requirement to make some final changes before the Statement of Accounts is authorised for issue by the Chief Financial Officer. These changes will be restricted to matters of detail and will not amend the overall tone of the Statement. Any changes will be reported to the September meeting of this Committee for information when the final version of the AGS will be agreed as part of the approval of the Statement of Accounts..
- 1.6 As part of the process of preparing the Draft Annual Governance Statement itself Officers completed a pro forma based upon a model provided by the Finance Advisory Network which has been endorsed by CIPFA and the Audit Commission. The outcome of the completion of that pro forma indicates that the processes and procedures which are in place at Bolsover District Council are generally compliant with good practice. Whilst the completion of the Assurance Statement remains a useful exercise in that it requires the Council to adopt a process of rigorous self assessment it was not considered to be appropriate to include the completed Finance Advisory Network Assurance Statement as an Appendix to this report. In completing this Statement the working party has undertaken a structured assessment of the governance arrangements currently in place at Bolsover District Council. The conclusions of this work are incorporated within Appendix 2 and 3 which uses the 2012 CIPFA / SOLACE Guidance as a benchmark to compare our current arrangements against. These Appendices – supported by the Finance Advisory Network Assurance Statement – are considered to be a comprehensive assessment of the Council’s governance arrangements which will ensure compliance with the requirement to undertake an annual review of the system of internal control.

- 1.7 While the evidence from the structured assessment that has been undertaken supports the view that appropriate procedures and processes are in place, it should be noted that there remain a small number of significant issues of Corporate Governance. The issues that have been identified as a result of the work of external review (including external audit), internal audit, and the routine work of the Council's own officers are set out in the Key Issues of Financial Governance report which is a standing item on the agenda of the Audit Committee. The latest version of this report is provided elsewhere on this Agenda.
- 1.8 Finally, **Appendix 4** is the draft memo from this Committee (signed by the Chair), the Chief Financial Officer and the Monitoring Officer to the Leader and Chief Executive which recommends that the Annual Governance Statement gives a true and fair view of the position within the authority, and that accordingly it would be reasonable for the Chief Executive and the Leader to sign the Statement off on behalf of the authority.

2 Conclusions and Reasons for Recommendation

- 2.1 The report requests the Audit Committee to consider the attached draft Annual Governance Statement. In particular the Committees role is to make any comments on either the contents of the Governance Statement, the supporting documents, or the processes that have been used in order to arrive at the draft Annual Governance Statement.
- 2.2 The attention of the Committee is drawn in particular to the conclusion regarding the review of The Effectiveness of the Council's internal control arrangements which is set out in Appendix 1 (pages 12m to 14). While the number of marginal audit reports remain at three, all of the Internal Audit work on the Council's major financial systems has concluded that they are either satisfactory or good. Given that these systems are at the core of our Internal Control arrangements it seems reasonable to continue to conclude that the Council has a robust system of internal control in place. This Appendix concludes that:

"In the light of the above evidence it would seem reasonable to conclude that the Council has a robust system of internal control in place that has operated throughout the 2015/16 financial year."

Reasons for Recommendation

- 2.5 To enable the Audit Committee to assess the appropriateness of the draft Annual Governance Statement and to make recommendations concerning any amendments which they may require.

3 Consultation and Equality Impact

Consultation

- 3.1 There are no issues arising from this report which necessitate a detailed consultation process.

Equalities

- 3.2 There are no direct implications, although the preparation of the Governance Statement will provide some high level assurances regarding the operation of current arrangements in these areas.

4 Alternative Options and Reasons for Rejection

- 4.1 The Accounts and Audit Regulations require that the Council prepares an Annual Governance statement. Accordingly there is not an option that such a statement should not be prepared. The processes involved in its development reflect accepted good practice. With respect to the content of the Annual Governance Statement this reflects the deliberation and views of a range of Council officers and the Audit Committee which has enabled alternative options in respect of the content to be considered.

5 Implications

5.1 Finance and Risk Implications

Financial

The cost of preparing the Governance Statement will be met from within existing approved budgets. As such there are no additional financial implications for the Council.

Risk

Effective governance arrangements for local authorities are crucial if authorities are to meet the standards of accountability, integrity, consumer focus, democratic engagement and organisational effectiveness that are expected of them. The preparation of the Annual Governance Statement is one of the mechanisms that helps ensure that effective governance arrangements are in place. The gross impact of not having effective Governance arrangements in place would be significant with the CIPFA / SOLACE guidance taking the view that effective governance lies at the heart of a Council's managerial, performance and financial arrangements. The Governance Statement and associated Assurance Statement do, however, demonstrate that the Council has in place a range of processes and procedures which taken together amount to a culture of effective governance. While there remain a limited number of significant individual issues that need to be addressed and resolved to improve the Council's Governance arrangements the overall framework is sound and provides an appropriate base from which the address the individual issues identified within this report.

5.2 Legal Implications including Data Protection

The requirement to include an Annual Governance Statement within the Council's Statement of Accounts from the 2007/08 financial year onwards is set out within the Accounts and Audit Regulations and associated best practice. The processes outlined in the report should be sufficient to ensure that the Council's Governance Statement meets the requirements of both the relevant legislation and associated good practice.

5.3 **Human Resources Implications**

None arising directly from this report.

6 **Recommendations**

- 6.1 That Audit Committee consider the draft Annual Governance Statement and make any observations or recommendations which they consider to be appropriate prior to the final draft being incorporated within the Council's Statement of Accounts.
- 6.2 That Audit Committee note that the final version of the Annual Governance Statement - alongside the draft Statement of Accounts - will be authorised for issue by the Council's Chief Financial Officer.
- 6.2 That the Audit Committee having reviewed the effectiveness of the Governance Framework are satisfied that the Council's governance and internal control arrangements are fit for purpose.
- 6.3. That the Audit Committee note that a Code of Corporate Governance prepared in the light of the updated CIPFA / SOLACE guidance will be brought back to the next meeting of this Committee.

7 **Decision Information**

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	All.
Links to Corporate Plan priorities or Policy Framework	Robust Governance arrangements underpin the effective operation of the Council and its ability to secure the full range of Corporate Plan Priorities.

8 **Document Information**

Appendix No	Title
1	Draft Annual Governance Statement 2015/16
2	How the Council meets the Six Principles of Good Governance (CIPFA / SOLACE)
3	Key Elements of the Systems and Processes of a Governance Framework
4	Draft Memorandum to the Signatories of the Annual Governance Statement

Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)

External Audit Reports :
 KPMG “Annual Audit Letter 2014/15 (Council 6th January 2016)
 Report to those Charged with Governance ISA 260” (Audit Committee 23rd September 2015).
 Internal Audit Consortium:
 “Summary of Progress on the Internal Audit Plan 2014/15” (Audit Committee 12th April 2016).

Report Author	Contact Number
Executive Director – Operations	2431

ANNUAL GOVERNANCE STATEMENT 2015/16**Scope of Responsibility**

Bolsover District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Bolsover District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Bolsover District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the authority's code is on our website at www.bolsover.gov.uk or can be obtained from the Council's Governance Team. This statement explains how Bolsover District Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

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

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

The governance framework has been in place at Bolsover District Council for the year ended 31 March 2016 and up to the date of approval of the Annual Report and Statement of Accounts.

The Governance Framework

The key components of the systems and processes that comprise the authority's governance arrangements include the following:

Bolsover District Council sets out its objectives within its Corporate Plan which is linked to both the Community Strategy and to a range of other Strategies and Plans. The Council has a formal constitution in place which sets out the roles and responsibilities of both Members and Senior Managers. The Constitution is available on the Council's website and is reviewed on an on-going basis. Policy and decision making is by means of an Executive Structure with Executive Member Portfolio holders. There are 3 Scrutiny Committees

aligned to the Council's Corporate Plan Targets, together with a Budget Scrutiny Committee made up of all Scrutiny Members. The Council also has both an Audit Committee operating in line with CIPFA guidance which provides independent challenge and assurance regarding financial governance and risk management, and a Standards Committee which has responsibility for overseeing the operation of the Members Code of Conduct.

Bolsover District Council takes a number of steps to help ensure compliance with established policies, procedures, laws and regulations. There is a comprehensive corporate induction process, with a variety of awareness raising and training events being undertaken for both employees and Members. All staff have access to key policies and procedures which are readily accessible on the intranet. Formal Codes of Conduct are in operation for both Members and Officers. The Council has adopted a formal Anti Fraud and Corruption Policy characterised by zero tolerance, with this approach informing the Council's governance and internal control arrangements. To support these high standards of openness and probity the Council has in place an effective complaints policy and procedures together with a whistle blowing policy.

The District Council has a Risk Management Strategy and associated framework in place, which is reviewed on a regular basis with independent assurance provided by the Audit Committee. The Council has embedded Risk Management by the provision of appropriate training, through regular review of the Service and Strategic Risk Register, and by requiring that all Committee Reports include a Risk assessment. The Risk Management Framework includes a quarterly reporting process which is integrated with our Performance and Financial management arrangements.

Bolsover District Council has a number of mechanisms in place for ensuring the economical, effective and efficient use of resources, and to ensure that we secure continuous improvement in the manner in which our functions are exercised in order to comply with the requirement to provide best value. Effective use of resources is ensured by a robust range of mechanisms including a range of consultation with local residents and other stakeholders, a well developed corporate and service planning process, by the careful consideration of service performance and development in order to ensure that our services are targeted at addressing priority requirements. Economy and Efficiency are ensured by good procurement practice, and by services which are responsive to customer requirements and operated in line with good practice.

A Scheme of Delegation sets out the powers of Officers and Elected Members, while the Financial Regulations and Contract Procedure Rules are an integral part of the Constitution. The performance against budget is monitored on a continuous basis with cost centre managers having access to the financial ledger, while the accountancy team provide monitoring reports on a monthly basis. The Council's quarterly reporting process is delivered through quarterly meetings with all Directorates where Performance, Finance and Risk are considered. This approach is intended to ensure that any significant budget variances or performance issues are identified at the earliest opportunity. Formal monitoring reports are taken to Executive, with these reports then being forwarded to the Budget Scrutiny and Audit Committee.

Performance Management is at the core of our managerial arrangements with quarterly reports on performance against the Corporate Plan targets provided to Executive. The Council monitors progress against a range of targets which incorporate both national and local priorities. Performance Targets together with key operational priorities are set out

within the Corporate Performance Management Framework which includes Service Plans and employee appraisals. These in turn are linked to the Council's Corporate Plan and supporting Plans and Strategies to help ensure that our resources are utilised for the achievement of agreed priorities.

The District Council contributes to the delivery of the Community Strategy for our residents through the Corporate Plan and the range of associated Plans and Strategies. The Council updates its Service Planning Framework on a regular basis and reports publicly to ensure our residents are kept informed regarding progress on those issues which they view to be critical to the wellbeing of our community. Unless specifically exempted by legislation, all reports to Committee and Scrutiny are available to residents on the website or in hard copy, articles in the Council's newsletter 'In Touch' which is distributed three times a year, briefings to the local press and public consultation. Progress against the Council's key priorities is reported to Executive on a quarterly basis as part of the suite of Performance reports.

The District Council, working with our local community and key partners has agreed a vision and core values which are supported by a range of 4 corporate aims which were set out within the Council's Corporate Plan for 2015 - 19 as follows:

- Our Key Aim : Unlocking our **Growth** Potential.
- Providing our **Customers** with Excellent Services.
- Supporting our **Communities** to be Healthier, Safer, Cleaner and Greener.
- Transforming our **Organisation**

These aims provide a focus for the development of partnership working, delivery of our services, and for planned improvements and rationalisation of the services which are currently provided. The emphasis on progressing these aims is illustrated by the fact that all reports to Committee set out which of the Corporate Aims they are seeking to promote, while the Council undertakes an ongoing review of its services through the service planning process and by the review processes which include Performance Management by Executive and the work of the Scrutiny function.

Review of Effectiveness

Bolsover District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This helps validate that our Governance Framework ensures compliance with the law, internal policies and procedures are effective and expenditure is lawful. The review of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Consortium Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Chief Financial Officer is responsible for ensuring that there is an adequate and effective system of internal control relating to both the Council's accounting and its other systems of internal control as required by the Accounts and Audit Regulations 2015. The Council is fully compliant with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) as set out in the Application Note to Delivering Good Governance in Local Government: Framework. The Council's Chief Financial Officer is professionally qualified, reports directly to the Chief Executive, is a full member of the Corporate Management Team and is supported by appropriately qualified and experienced staff.

The arrangements for the provision of internal audit are set out within the Council's Financial Regulations which are part of the Council's Constitution. The internal audit provision has from the 1st April 2007 been independently managed by the Head of the Internal Audit Consortium. This is an arrangement for the provision of Internal Audit on a consortium basis by Bolsover, Chesterfield and North East Derbyshire, with the service being hosted by Chesterfield Borough Council on behalf of the three authorities. The Council's Internal Audit function has been internally assessed as being compliant with the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1st April 2013 replacing the CIPFA Code of Practice for Internal Audit in Local Government 2006. The Council operates its internal audit arrangements in line with the requirements set out within the CIPFA Statement on the Role of the Head of Internal Audit (2010). The Internal Audit Consortium Manager is professionally qualified, suitably experienced, reports on a regular basis to the Audit Committee, with unrestricted access to both elected members and management. The work undertaken is agreed within the Audit Plan prepared by the Head of the Consortium which is prioritised in order to reflect the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. Audit work involves reviews of the main financial systems, scheduled visits to Council establishments and fraud investigations. The annual work plan is discussed and agreed with the Council's Section 151 officer, and with the Audit Committee. It is also shared with KPMG the Council's external auditor. This is part of a process of liaison intended to ensure that the work of internal and external audit is complementary and that duplication is avoided. The Internal Audit reports which arise out of the process include an assessment of the adequacy of internal control, and set out recommendations which are aimed at addressing those areas where potential for improvement has been identified. These are submitted to the relevant officers within the Council who are required to implement any accepted recommendations. The outcome of the process is reviewed by the Chief Financial Officer, by the Council's Strategic Alliance Management Team (SAMT) and by the Audit Committee.

The Council's review of the effectiveness of the system of internal control is informed by:

- There is a Constitution in place which provides a formal Governance framework, with decisions taken in an open and accountable fashion. Internally, those decisions are subject to Scrutiny, and the Council has an active Standards Committee;
- The Council has suitably qualified, trained and experienced officers undertaking the statutory role of Head of Paid Service (Chief Executive), Monitoring Officer and Section 151 Officer.
- Assurances from the responsible Executive Directors based on management and performance information, officer assurance statements, Scrutiny reports and the outcome of internal reviews including those looking at joint services.
- The work undertaken by the Internal Audit consortium during the course of the year;
- This Annual Governance Statement has reviewed the operation of our Governance arrangements during the course of the 2015/16 financial year.
- The Council's Audit Committee has undertaken a structured self assessment to ensure it operates in line with CIPFA/SOLACE guidance.
- The work undertaken by the external auditor as reported in their Annual Audit Letter and in the Report to those charged with governance (ISA 260);

In addition to giving appropriate consideration to the Council's internal Governance arrangements it needs to be recognised that the Council is working in a number of partnership arrangements. We are operating a range of shared services with our Strategic Alliance partner North East Derbyshire. In addition we have other joint service

arrangements with both Chesterfield Borough Council and with the Chesterfield Royal Hospital. We also have an active Local Strategic partnership which engages with a range of local partners. We actively participate in both the Sheffield City Region and in the North Midlands local economic partnerships. At a meeting of Council held on 2nd March 2016 it was agreed that the authority would seek to be a constituent member of the proposed North Midlands combined authority and non constituent member of the Sheffield City Region Combined Authority. There are also a number of other partnerships including the Community Safety Team and local NHS bodies where partnership working supports the delivery of services to local residents. Where the Council has entered into partnership arrangements it seeks to ensure that these promote the Council's vision and core values and that they are subject to appropriate governance and performance management arrangements. This assurance is provided by ensuring that the Council's involvement within partnership is formally agreed by Council and that the outcomes of partnership working are detailed in the Council's Performance, Finance and Risk Management Framework with any issues identified being reported to the Council where appropriate.

Since April 2011 the Council has operated a Strategic Alliance with a neighbouring authority North East Derbyshire District Council. Joint working arrangements have made significant progress and the two Councils now operate with a joint Management team down to third tier level. Joint Working is now operational within most services, although only Environmental Health is operating on the basis of a fully shared service. While one of the key reasons for entering into this partnership is to achieve the efficiency savings required by both Council's, the Strategic Alliance is also regarded as a key mechanism for managing the risks that ongoing reductions in funding will result in failing services and weakened internal control.

The Council's External Auditors KPMG restrict their comments to the Published Accounts and as to whether the Council provides Value for Money. The most recent review of the Council by external audit was provided by KPMG in its Annual Audit Letter relating to the 2014/15 Accounts. This letter which was reported to the Council meeting on 6th January 2016 gave an unqualified opinion in respect of both the published accounts and the Value for Money conclusion. With respect to the outcomes of the independent scrutiny undertaken by Internal Audit of the audits undertaken during 2015/16 only three resulted in internal control arrangements being assessed as marginal (a number of areas identified for improvement).

Significant Governance Issues

In the light of the above evidence it would seem reasonable to conclude that the Council has a robust system of internal control in place that has operated throughout the 2015/16 financial year. As part of the Annual Governance Statement, however, the Council is required to review its internal controls in order to identify those significant areas where it needs to improve its governance, performance and the management of services. A consideration of the reports raised by External Inspections, Peer Reviews and the Council's own self assessment of its current position in respect of those areas requiring improvement are as follows:

At a Strategic Level the key issue for the Council is that since 2008/09 the underlying financial pressures on local authorities have increased significantly as the level of Central Government funding has been reduced. Bolsover District Council has been required to secure savings of £1.7m between 2013/14 and 2015/16. Further estimated savings of £1.4m are required between 2016/17 and 2018/19. In order to secure the necessary savings the Council will need to continue to reduce staffing levels and to reorganise processes and procedures both of which have the potential to impact significantly on the

Council and the services it provides. The Council will continue to work to minimise the impact of such changes upon both our local community and workforce. Given the scale of the efficiencies that are necessary the internal control environment, levels of performance and service delivery more generally continue to require careful monitoring during the course of the current financial year. The Council has, however, an experienced and appropriately qualified management team which puts it in a good position to achieve an appropriate balance between securing financial savings whilst protecting both our governance arrangements and the level of services to local residents.

The strategic issue outlined above informs the identification concerning those areas where it is considered that the Council's governance arrangements require further improvement. The issues where the Council is considered to be marginal in terms of meeting good practice are outlined below. All of the areas identified for improvement are currently the subject of a Corporate Action Plan (including target dates), with progress against that Action Plan being reported as a standing item to the Council's Audit Committee.

Issue Identified	Action to Address
1. Whilst the Council's budget is balanced over the period of the Medium Term Financial Plan it should be noted that the budget is balanced on the basis that significant efficiency savings will be secured during the period of that Plan. If these efficiencies (which amount to some £1.4m over the next three years) are not secured then the Council will be forced to reduce expenditure in a relatively uncontrolled fashion which will impact upon both the quality of services to local residents, and on the internal control environment.	In setting its Medium Term Financial Plan the Council agreed a range of measures to deliver the efficiency gains necessary to operate within the underlying level of resources available to it. Achievement of these measures is monitored on a regular basis by Executive. While appropriate steps have been taken it needs to be recognised that the efficiency targets are challenging, in part are dependent upon partnership working and will require further reductions in staffing levels and budgets. In considering measures to maintain a robust financial position the Council also needs to give careful consideration to the impact of such measures on services to local residents.
2. During the 2015/16 Financial Year the Council received three critical Internal Audit reports .	Progress in addressing these issues and in embedding improvement will be reported to the Audit Committee on a regular basis in order to ensure that the revised arrangements are continuing to operate effectively.
The more serious of these concerned Health and Safety arrangements which were assessed as marginal	In respect of Health and Safety Management have responded by agreeing a Management Action Plan with Internal Audit which is in the process of being implemented. In addition to implementing all Internal Audit recommendations the Council has commissioned an independent

	external review which is currently underway.
The other two marginal Internal Audit reports concerned Housing Services Stores and Cresswell Leisure Centre.	In both of these areas management is in the process of implementing the Internal Audit recommendations. The implementation of the agreed actions will be monitored through the Council's Performance Management Framework including reports to Audit Committee.

We propose over the coming year to take steps to address the above matters to ensure that our governance arrangements are robust. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.
Signed:

Councillor Ann Syrett
Leader of the Council
Date:

Daniel Swaine
Chief Executive
Date:

HOW THE COUNCIL MEETS THE SIX PRINCIPLES OF GOOD GOVERNANCE (CIPFA / SOLACE)

Principle 1

Focusing on the purpose of the Authority and on outcomes for the community including citizens and service users and creating and implementing a vision for the local area.

The function of governance is to ensure that authorities, other local government organisations or connected partnerships fulfil their purpose and achieve their intended outcomes for citizens and service users and operate in an effective, efficient, economic and ethical manner. This concept should guide all governance activity.

Local government bodies need to develop and articulate a clear vision of their purpose and intended outcomes for citizens and service users that is clearly communicated, both within the organisation and to external stakeholders.

Supporting Principles

- Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users;
- Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning;
- Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.

The local code should reflect the requirement for local authorities to:

1.1 Develop and promote the authority's purpose and vision.

Position at BDC: This Code is based upon a clear community focus as set out in the Community Strategy and Corporate Plan which sets out the links between community engagement, service planning and delivery, and the maintenance of appropriate standards of conduct.

1.2 Review on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements.

Position at BDC: The Council keeps its vision for the local area under regular review as part of the development of the Corporate Plan and the service planning process. This Code and its impact is formally reviewed and reported on at least an annual basis, but given the links between the Code and other areas of the Council's operations that review in reality is undertaken on an on-going basis. In the current year a new Code will be agreed in the early summer of 2016 taking into account the revised guidance being issued by CIPFA / SOLACE.

1.3 Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties.

Position at BDC: The Council has a proactive partnership team who ensure that the Council's values and those of key partners are shared. With respect to relationships such as the Local Enterprise Partnership the Council is represented by senior Elected Members and Officers.

1.4 Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance.

Position at BDC: The Council publishes Annual Accounts and an Annual Report. These documents together with a wide range of supporting information are available on the website. In addition the Council newspaper "In Touch" is circulated to all residents three times a year. The Corporate Plan is supported by detailed service plans which establish the Council's objectives and performance targets.

1.5 Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available.

Position at BDC: The Authority's strategies and plans all contain performance targets and action plans that provide a SMART framework against which progress can be evaluated. In particular, the Performance Framework is designed to ensure that key indicators of progress are monitored and reported on at least on a quarterly basis. The information obtained from monitoring against internal targets is supported by information gathered from residents and other stakeholders from a variety of sources in order to ensure that we have a rounded picture of the public's view of the services provided. In particular the Council's quarterly performance management framework includes a detailed report summarising Compliments, Comments and Complaints.

1.6 Put in place effective arrangements to identify and deal with failure in service delivery.

Position at BDC: The Council has in place a number of methods for measuring resident / stakeholder satisfaction including resident surveys and the Citizen's Panel. The Compliments, Comments and Complaints procedure monitors issues of concern for service users and results in reports to both SAMT and Executive enabling informed corrective action to be taken.

1.7 Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.

Position at BDC: Value for Money criteria are effectively established by the Council's performance targets, which are reviewed and established on an annual basis and set out in Service Plans. These are reviewed on an on-going basis including quarterly reports to Members. Both requirements for financial savings together with legislative and other changes necessitate that services are reviewed on a regular basis. The Council is working to address a range of environmental issues including taking steps to reduce both its own carbon footprint and that of the wider district.

Principle 2

Members and officers working together to achieve a common purpose with clearly defined functions and roles

The governing body of an organisation has overall responsibility for directing and controlling that organisation. In local government the governing body is the full council.

Supporting Principles

- Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny functions;
- Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard;
- Ensuring relationships between the authority and the public are clear so that each knows what to expect of the other.

The local code should reflect the requirement for local authorities to:

2.1 Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice.

Position at BDC: This is set out in the Council's Constitution. All Committee meetings are formally minuted and minutes formally approved.

2.2 Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers.

Position at BDC: The roles and responsibilities of Members and senior officers are set out in the Constitution, being further supported by the Member and Officer protocols and for officers by job descriptions and contractual terms.

2.3 Determine a scheme of delegation and reserve powers within the Constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation and ensure that it is monitored and updated when required.

Position at BDC: The Constitution incorporates a scheme of delegation, and sets out the roles, powers and limits upon the power of individual officers and Members. The Constitution reflects best practice, including an appropriate approach to the Council's statutory duties and powers.

2.4 Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management.

Position at BDC: The Chief Executive is the Head of Paid Service and that role together with the associated job description makes him the responsible officer for the effective

discharge of the Council's operational issues. In discharging these duties the Chief Executive is supported by the Council's wider managerial arrangements and by the performance management framework.

2.5 Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.

Position at BDC: Regular meetings are held between the Council's Leader and the Chief Executive. These are part of a broader framework of appraising the performance of the Chief Executive.

2.6 Make a senior officer (usually the section 151 officer) responsible to the Authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

Position at BDC: The Executive Director – Operations has been designated as the Council's S151 officer responsible for the sound financial administration of the authority. The duties are incorporated within the job descriptions of the Director.

2.7 Make a senior officer (other than the Responsible Financial Officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

Position at BDC: The Assistant Director – Monitoring Officer and Governance is the Council's Monitoring Officer. The duties are incorporated within the job description of the Assistant Director.

2.8 Develop protocols to ensure effective communication between members and officers in their respective roles.

Position at BDC: Protocols are in place setting out the roles and responsibilities of Members and officers (these support the powers established under the Constitution). These protocols are supported by a range of working arrangements, which help to ensure that the underlying relationships are constructive and support the effective working and development of the Council.

2.9 Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel (if applicable).

Position at BDC: The current pay scales were originally determined by a panel in the light of external advice received at North East Derbyshire our Strategic Alliance partner. Specialist consultants were employed during the current financial year to advise on the recruitment to the role of Chief Executive and they have provided advice on the appropriateness of the remuneration package. An outline of the current remuneration package is available on the website. There is an annual report on pay and conditions which is reported to Council. The Members allowances / remuneration scheme is considered through appropriate good practice processes and procedures, and is publicised on the website. Members allowances were reviewed in 2014 (previously reviewed 2011) by an independent panel which reported to Council on the 8th October

2014. This report was reviewed by a Working Party of Elected Members which recommended a revised scheme which the Council adopting at its meeting of 4th March 2015. Full details are set out in that report and on the Council's website.

2.10 Ensure that effective mechanisms exist to monitor service delivery.

Position at BDC: The Council has in place a Performance Management Framework including a complaints framework which is intended to facilitate the effective monitoring of service delivery.

2.11 Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.

Position at BDC: The development of the Council's Corporate Plan is an ongoing process of raising awareness and undertaking consultation concerning the Plan. Key consultees include an internal audience of Members, officers and employees. External consultees include parish councils, the LSP, and the full range of other statutory agencies. Residents' views are sought through local Members, via the use of surveys, the Citizens Forum, focus groups, public meetings and via complaints, compliments, comments and other communication with the Council and its officers (in particular contact between service providers and the public).

2.12 When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority.

Position at BDC: Within each significant partnership there are formal constitutions and governance arrangements in place, which set out objectives, roles and responsibilities, and the constitution/governance arrangements of the partnership. These are supported by either business or project plans, which detail funding support and managerial arrangements. The Council has a Partnership Team in place specifically to provide targeted support to its partnership arrangements.

2.13 When working in partnership:

- **Ensure that there is clarity about the legal status of the partnership;**
- **Ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.**

Position at BDC: For any significant partnerships the Council gives appropriate consideration to the issues before entering into the partnership. The legal status in particular would be subject to appropriate review. One of the criteria that would be considered before entering into a partnership would be its consistency with the principles of accountability and governance, which the Council applies to its own internal arrangements.

Principle 3

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Good governance flows from a shared ethos or culture, as well as from systems and structures. It cannot be reduced to a set of rules, or achieved fully by compliance with a set of requirements. This spirit or ethos of good governance can be expressed as values and demonstrated in behaviour.

Good governance builds on the seven principles for the conduct of people in public life that were established by the Committee on Standards in Public Life, known as the Nolan principles. In England, the Local Government Act 2000 outlined ten principles of conduct – an additional three to those identified by Nolan – for use in local government bodies. The seven Nolan principles are set out in the guidance notes accompanying this Framework. The seven principles form a part of the Members' Code of Conduct at BDC. Training on the code is offered to all members.

A hallmark of good governance is the development of shared values, which become part of the organisation's culture, underpinning policy and behaviour throughout the organisation, from the governing body to all staff. These are in addition to compliance with legal requirements in respect of, for example, equal opportunities and anti-discrimination.

Supporting Principles

- Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance;
- Ensuring that organisational values are put into practice and are effective.

The local code should reflect the requirement for local authorities to:

3.1 Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect.

Position at BDC: The Council's Constitution and its values clearly establish an overriding requirement that our actions are characterised by openness and accountability. The Monitoring Officer decides which reports meet the legal / good practice criteria before they are deemed to be confidential or exempt. All decisions are minuted, and reports are available online, or alternatively may be obtained as a hard copy.

3.2 Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the Authority, its partners and the community are defined and communicated through codes of conduct and protocols.

Position at BDC: The Constitution, the Member and Officer Codes of Conduct, the Whistleblowing and Anti-Fraud Strategies, and a variety of other mechanisms all work together to provide an organisational and operational framework, which sets out clear expectations and standards regarding what constitutes acceptable behaviour. All policies are effectively communicated to Members, officers and employees including availability on the website.

3.3 Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.

Position at BDC: The Constitution and codes of conduct all set out clear expectations and requirements of Members and officers. Where an interest may exist it is made clear that individuals have a responsibility to declare this, and that where not appropriate they must not participate in any way that might influence the decision making process.

While the key emphasis is rightly upon informed openness by individuals, the Council has a well-publicised whistle-blowing policy which allows others to bring to the attention of the Authority potential conflicts of interest for investigation.

3.4 Develop and maintain shared values including leadership values both for the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners.

Position at BDC: These are set out in the Codes of Conduct, while formal documents / policies including this Code and the Anti-Fraud Strategy incorporate a statement of our values which give a clear commitment to openness, honesty and integrity.

3.5 Put in place arrangements to ensure that procedures and operations are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.

Position at BDC: Constitution and codes of conduct set out formal arrangements. Appropriate awareness raising training is provided to Members/officers, and Members are reminded of the Code of Conduct requirements on declaration of interests at the outset of all Council meetings.

3.6 Develop and maintain an effective standards committee.

Position at BDC: A Standards Committee is in place which has appropriate terms of reference and membership including co-optees which meets on a regular basis. The Committee's minutes are reported to Council, and under the Constitution it has a direct right of report to Council. The Chairman reports to Council on an annual basis.

3.7 Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Authority.

Position at BDC: The Council has clear shared values set out in the Corporate Plan. All reports to Committee are agreed by the Strategic Alliance Management Team, and they are responsible for ensuring that the reports are in line with the Council's values. Reports are then considered by Members who determine the Council's values. Members are given appropriate training to enable them to establish and uphold appropriate values.

3.8 In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.

Position at BDC: The Council's representatives on partnerships are required to reflect and champion the Council's values within those partnerships, and the partnerships' constitution must be compatible with the Council's values for the Council to participate. When representing the Council Members are expected to comply with the BDC Code of Conduct.

Principle 4

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Decision making within a good governance framework is complex and challenging. It must further the organisation's purpose and strategic direction and be robust in the medium and longer terms. To make such decisions, authority members must be well informed.

Members making decisions need the support of appropriate systems, to help to ensure that decisions are implemented and that resources are used legally and efficiently.

Risk management is important to the successful delivery of public services. An effective risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective.

Supporting Principles

- Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny;
- Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs;
- Ensuring that an effective risk management system is in place;
- Using legal powers to the full benefit of the citizens and communities in the area.

The local code should reflect the requirement for local authorities to:

4.1 Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the organisation's performance overall and of any organisation for which it is responsible.

Position at BDC: The functioning of Scrutiny is well established and operating effectively supported by a separate officer. These arrangements and the effective engagement of other Members and Officers of the Council help ensure that Scrutiny's analysis and recommendations are supported by robust evidence, data and critical analysis. The outcome of Scrutiny work is a range of reports which are considered by Executive.

4.2 Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.

Position at BDC: Decision making protocols and powers are set out in the Council's Constitution. These also establish what record of the decision needs to be maintained. For Executive reports the quality assurance process is the Chief Executive, Directors and

Monitoring Officer, while for Delegated Decisions the originating officer and the responsible Director needs to ensure that the decision has been appropriately taken, and that appropriate advice has been taken and consultation undertaken. Relevant Delegated Decisions are recorded and published in line with the legal requirements. All decision making committees and the Executive are appropriately minuted setting out the criteria, rationale and considerations on which decisions are based.

4.3 Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice.

Position at BDC: There are Member and Officer Codes of Conduct in place which require all interests to be declared, and to ensure that the individual involved does not play a role in the decision making process where there is a potential conflict of interest.

All gifts and hospitality are required to be officially recorded, and the Council's Constitution includes Financial Regulations and Contract Procedure Rules which establish what constitutes acceptable behaviour in respect of the letting of contracts. Members complete Register of Interests forms in accordance with legislative requirements and the requirements of the Code of Conduct. All members and senior officers are required to complete a Related Party Transaction declaration at the end of each financial year.

4.4 Develop and maintain an effective audit committee (or equivalent) which is independent or make other appropriate arrangements for the discharge of the functions of such a committee.

Position at BDC: An Audit Committee is well established. Its terms of reference are in line with CIPFA / SOLACE requirements. Appropriate training is given to those Members on the Committee. In January 2016 the Committee undertook a review of its effectiveness against and compliance with the CIPFA / SOLACE guidelines for an effective Audit Committee.

4.5 Put in place effective, transparent and accessible arrangements for dealing with complaints.

Position at BDC: The Council has a written complaints procedure in place, which is monitored and reported to Strategic Alliance Management Team and Executive on a quarterly basis. The Council endeavours to ensure that service users are made aware of their rights under the complaints procedure, and where appropriate are able to refer issues or complaints to external adjudicators.

4.6 Ensure that those making decisions whether for the authority or partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.

Position at BDC: A comprehensive induction process is provided following the District Council elections, and this is supported by on going training / awareness programmes. There is a comprehensive Member Development Programme overseen by a Member Development Working Group and Members are able to benefit from agreed Personal Development Plans. All reports to Executive / Council are cleared by the Council's Corporate Management Team which includes the statutory officers. Reports to Scrutiny and other Committees are cleared by an appropriate Senior Officer of the Council.

4.7 Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately.

Position at BDC: All reports include a section detailing legal and financial implications. These are agreed by Corporate Management Team including the statutory officers who take a view on the adequacy of the professional advice that has been provided. All reports are processed and despatched in accordance with an agreed timetable, unless there are exceptional circumstances which require a late report to be considered. These requirements are supported by the Constitution and the standard report template which helps ensure all relevant issues are considered.

4.8 Ensure that risk management is embedded into the culture of the organisation with members and managers at all levels recognising that risk management is part of their job.

Position at BDC: The Council has a well established Risk Management Framework with appropriate training arrangements in place. Risk Management has a high profile within the authority, with job descriptions reflecting the requirements to manage risk, all formal reports having a Risk Management section and all major projects covered by a Risk Register.

4.9 Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the authority have access.

Position at BDC: The Council has a well established whistle-blowing policy which is publicised on a regular basis and has recently been reviewed. The policy has been effectively utilised by officers thereby demonstrating both an awareness of and a confidence in the policy.

4.10 Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities.

Position at BDC: All officers are appropriately selected and trained to undertake the duties as set out in their job description which includes an awareness of the prevailing statutory framework. This is supported by the Council's Constitution, and by the Monitoring Officer, legal team, internal audit and other challenge mechanisms which would help to identify any activity which falls outside of the Council's powers. For new initiatives the quality assurance process for reports should ensure that activities outside our powers are identified prior to implementation.

4.11 Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law.

Position at BDC: As in 4.10.

4.12 Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice into their procedures and decision making processes.

Position at BDC: As in 4.10.

Principle 5

Developing the capacity and capability of members and officers to be effective.

Effective local government relies on public confidence in authority members, whether elected or appointed, and in officers. Good governance strengthens credibility and confidence in our public services.

Authorities need people with the right skills to direct and control them effectively. Governance roles and responsibilities are challenging and demanding, and authority members need the right skills for their roles. In addition, governance is strengthened by the participation of people with many types of knowledge and experience.

Good governance means drawing on the largest possible pool of potential members to recruit people with the necessary skills. Encouraging a wide range of people to stand for election or apply for appointed positions will develop a membership that has a greater range of experience and knowledge. It will also help to increase the diversity of authority members in terms of age, ethnic background, social class, life experiences, gender and disability. This concept should also be borne in mind when members are appointed to the boards of other public service organisations.

Supporting Principles

- Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles;
- Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group;
- Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.

The local code should reflect the requirement for local authorities to:

5.1 Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.

Position at BDC: Human Resources have developed a standard corporate induction process for all new members of staff; while at a service level induction is required to cover any service specific induction issues. The appraisal process identifies any training needs, and develops a plan to deliver these which is monitored on an ongoing basis. The person specification should ensure that only appropriately qualified individuals are appointed in the first place. A range of corporate awareness training is also provided to managers by means of managers' meetings, Core Brief and other mechanisms. For Members an induction process is provided after District Council elections, Members have access to an appraisal process which identifies individual needs and a range of corporate training/awareness structured around a Member Development Programme overseen by the Member Development Working Party is undertaken on an ongoing basis.

5.2 Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation.

Position at BDC: The job description/person specification is intended to ensure that only appropriately qualified and experienced individuals are short listed for these positions. The appointments process ensures that a competitive process is in place, which attracts candidates with the appropriate range of personal attributes and skills. The Council's statutory officers are appropriately qualified and are aware of their professional responsibilities regarding the management of the Council, and of the powers which are available to them to ensure that they have the appropriate level of resources to enable them to discharge those responsibilities effectively. The Corporate Management Team which takes the key decisions regarding which reports should go before committee includes the three statutory officers of the Council, and the role of these officers is well understood across the organisation. Furthermore, the process for agreeing reports and for taking major decisions is designed to ensure that the Statutory officers are actively involved in these processes to ensure that the organisation is appropriately managed.

5.3 Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively.

Position at BDC: Employees are subject to an appraisal supplemented by 1 to 1s which incorporates an assessment of performance and training requirements. These are developed into a corporate training plan. Members are given appropriate training opportunities under a systematic Member Development Programme agreed by the Member Development Working Party.

5.4 Develop skills on a continuing basis to improve performance including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.

Position at BDC: The Council has both an effective Members Development Programme (See 5.3 above) and Scrutiny process (see 4.1).

5.5 Ensure that effective arrangements are in place for reviewing the performance of the authority as a whole and of individual members and agreeing an action plan which might for example aim to address any training or development needs.

Position at BDC: The Council's Corporate Plan together with related strategies and plans set out clear actions and targets against which progress can be monitored. There are a range of key performance indicators and other performance targets covering all relevant services, which are monitored on a quarterly basis. A formal staff appraisal process is in place which links employees into the corporate performance targets. The Council also encourages external review where appropriate.

5.6 Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority.

Position at BDC: The Council has developed a range of mechanisms for consultation. We have a range of forums for engaging with our citizens including Public Meetings, Tenants Panel, and reviewing individual compliments, comments and complaints in order to

consider whether there are underlying general trends. In addition to consultation the Council also actively encourages engagement by members of the Community in the Council's activities, through information on the website, the Engagement Plan and the Single Equalities scheme.

5.7 Ensure that career structures are in place for members and officers to encourage participation and development.

Position at BDC: The Council's structures with a well developed Executive and Scrutiny system offer a good range of opportunities for all Members to participate at a range of levels in the Council's managerial and Governance arrangements. The Council has in place appropriate arrangements to ensure that Officers are able to participate in structured Personal Development, whilst the Council's establishment allows opportunities for career progression.

Principle 6

Engaging with local people and other stakeholders to ensure robust public accountability.

Local government is accountable in a number of ways. Elected local authority members are democratically accountable to their local area and this gives a clear leadership role in building sustainable communities. All members must account to their communities for the decisions they have taken and the rationale behind those decisions. All authorities are subject to external review through external audit of their financial statements.

They are required to publish their financial statements and are encouraged to prepare an annual report. Many are subject to national standards and targets. Their budgets are effectively subject to significant influence and overview by Government, which has powers to intervene. Both members and officers are subject to codes of conduct. Additionally, where maladministration may have occurred, an aggrieved person may utilise the Council's complaints procedure, raise the matter through their local councillor or via the ombudsman.

Supporting Principles

- Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships;
- Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning;
- Making best use of human resources by taking an active and planned approach to meet responsibility to staff.

The local code should reflect the requirement for local authorities to:

6.1 Make clear to themselves, all staff and the community, to whom they are accountable and for what.

Position at BDC: This Code sets out clear links between the Council and the community, and sets out the requirement of the Council to be accountable, to display integrity, openness and inclusivity in our activity.

6.2 Consider those stakeholder bodies to whom the organisation is accountable and assess the effectiveness of the relationships and any changes required.

Position at BDC: The Corporate Plan, the Medium Term Financial Plan and our Directorate Service Plans give structured consideration to the views of the Council's key stakeholders.

6.3 Produce an annual report on scrutiny function activity.

Position at BDC: An annual report is provided to full Council concerning the performance of the scrutiny function.

6.4 Ensure that clear channels of communication are in place with all sections of the community and other stakeholders including monitoring arrangements to ensure that they operate effectively.

Position at BDC: The Council has a clear Communications Strategy in place utilising the website, the In Touch newspaper which is distributed to all residents, providing publications etc in contact centres, and providing information for distribution to the media including local newspapers. These mechanism also incorporate questions designed to secure feedback on the effectiveness of the various approaches utilised.

6.5 Hold meetings in public unless there are good reasons for confidentiality.

Position at BDC: All meetings are held in public, and reports and decisions are available on the Internet or in hard copy upon request. All confidential / exempt items are agreed by the Monitoring Officer in order to ensure that they meet with the statutory definition of items which can be regarded as being confidential / exempt. The Council complies with legislative requirements to advertise in advance those parts of meetings which are to be held in private.

6.6 Ensure arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands.

Position at BDC: The Council has in place a wide range of engagement mechanisms including public meetings, web based consultation, and engaging with difficult to reach groups including young people. This is supported by targeted surveys, questionnaires and focus groups. These arrangements are set out within the Consultation and Communications Strategy. The Council has met the Achieving Level in respect of equalities which demonstrates that the Council has appropriate procedures in place and has used these to achieve good outcomes in terms of engaging all sections of our community.

6.7 Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users, including a feedback mechanism for those consultees to demonstrate what has changed as a result.

Position at BDC: See 6.6.

6.8 On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period.

Position at BDC: The Annual Report covers performance issues linking these with the Council's priorities. Annual financial statements which cover the outturn position are provided within the Annual Statement of Accounts with more detailed reports being provided to committee and made available on the Council's website. While the Service Plans are essentially forward looking documents the objectives and aspirations which they incorporate are based upon previous year's trends, and reflect both details concerning, and analysis of, previous performance.

6.9 Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so.

Position at BDC: The Council's Constitution and its overall ethos as set out in the Corporate Plan make it clear that it has mechanisms and processes in place which facilitate openness and transparency. The Communication and Engagement Strategies as set out in the previous section have been explicitly developed in order to achieve these objectives. The Council complies with the requirements of the Freedom of Information Legislation and Government's Transparency Agenda.

6.10 Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making.

Position at BDC: The Constitution together with the Corporate Plan and supporting documentation and strategies incorporate a clear role for our employees in the development and delivery of our plans. A formal consultation mechanism is in place in the form of the UECC (Union and Employee Consultation Committee) which involves Members, senior officers and trade union representatives. In addition, all employees are involved in the service planning process, have team meetings, attend staff roadshows, and a variety of other mechanisms are available to facilitate employee participation. The Council was accredited under IIP as operating at a Silver Standard in the July of 2015.

Key Elements of the Systems and Processes of a Governance Framework

(Extracted from CIPFA/SOLACE Delivering Good Governance in Local Government 2012)

Key elements of the systems and processes that comprise an authority's governance include arrangements for:

- **identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users**

The Council has in place a formal Consultation Policy supported by a dedicated consultation officer and a partnership team part of whose remit is to ensure effective links with local communities. The Citizens Panel comprising approximately 1,000 residents is surveyed on a regular basis, while the Council ensures that appropriate consultation arrangements are undertaken in respect of new initiatives. The Council's objectives and vision are set out in its Corporate Plans supported by a range of appropriate Strategies and Policies. Communications with local residents are secured through an active consultation process, by distribution of a Civic newspaper "In Touch" three times a year, through the website, by issuing printed leaflets etc on specific issues and by promoting coverage in the local press.

- **reviewing the authority's vision and its implications for the authority's governance Arrangements**

The authority's vision is set out in the Corporate Plan which is comprehensively revised every four years (last undertaken Summer 2015). The Corporate Plan is reviewed on an ongoing basis with the authority taking active steps to ensure that its vision is considered by local residents, partners and by elected members and employees. The Corporate Plan informs both the service plans across the Council and provides the vision and objectives which underpin the full range of Council strategies and policies.

- **translating the vision into objectives for the authority and its partnerships**

The Corporate Plan informs and directs service plans across the Council. When entering into Partnerships the Council ensures that the aims and objectives of the partnership are aligned with those of the Council and that Governance arrangements are in line with those of Bolsover District Council. Continued compliance is ensured by the active involvement of Elected Members, Senior Officers or the Partnership Team in all key partnerships.

- **measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money**

The Council has in place an effective Performance Management system which adopts a balanced scorecard approach by including Performance, Finance and Risk within the managerial framework. The Performance Management framework includes a structured consideration of customer complaints to ensure that services are being delivered in line with customer expectations.

- **defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements**

These are set out in the Council's Constitution.

- **developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

Formal Codes of Conduct are in place for both Elected Members and Officers. These are supported by a range of policies in respect of Fraud and Corruption, Whistle blowing, etc. There is a Members Development Programme and training for staff which is intended to ensure that all individuals are aware of their responsibility. The Council has in place an active Standards Committee and Audit Committee which are responsible for helping ensure that high standards are maintained.

- **reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality**

The Constitution is reviewed on an annual basis with its appropriateness being monitored on an ongoing basis by considering if it remains 'fit for purpose' as part of the routine decision making process. Where practical experience of decision making suggests that particular areas of the constitution / decision making process are not working well then the arrangements are reviewed. The Council has a formal performance management system in place which helps ensure that the vision and objectives set out within the Corporate Plan are secured in practice.

- **reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability**

The Council has in place a risk management framework which is integrated into the wider performance management arrangements. The Strategic Risk Register is reported to Cabinet and Audit Committee on a quarterly basis, operational risk registers being incorporated within service plans and all Committee reports having a section dealing with Risk. Appropriate training is provided to both Elected Members and Officers to ensure there is a well developed risk culture across the organisation.

- **ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained**

The Council has in place an established Anti Fraud, Bribery and Corruption Policy (Including Money Laundering Policy) which was reviewed and approved in the winter of 2015/16. Regular updates concerning fraud and related matters are taken to the Audit Committee.

- **ensuring effective management of change and transformation**

The Council has in place a suitably qualified management team which has over previous financial years has successfully balanced a challenging budget, protected

service levels and delivered a range of major projects included moving its administration centre from Bolsover to Clowne, continued to deliver an effective Strategic Alliance for joint working with North East Derbyshire District Council and has progressed plans to secure improvements in the Council's Governance arrangements.

- **ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010, 2016) and, where they do not, explain why and how they deliver the same impact**

The Council has in place an experienced, qualified accountant as Chief Financial Officer and complies with the requirements of the CIPFA statement.

- **ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact**

The Authority is fully compliant with the CIPFA statement having a qualified Internal Audit Consortium Manager and sufficient resources to deliver the agreed Audit Plan. The Council is compliant with the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1st April 2013.

- **ensuring effective arrangements are in place for the discharge of the monitoring officer function**

The Council has in place a monitoring officer who is experienced in the role, is a qualified lawyer and is head of the Council's legal service.

- **ensuring effective arrangements are in place for the discharge of the head of paid service function**

The Chief Executive is the Head of Paid Service. He is an experienced officer and was appointed under a competitive recruitment process undertaken by specialist consultants in the summer of 2015.

- **undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees: Practical Guidance for Local Authorities**

There is an established Audit Committee in place which meets 6 times a year. Its role is set out within the Council's Constitution and it conforms to the requirements of the CIPFA guidance. The Audit Committee has self assessed its performance against the relevant sections in the CIPFA / SOLACE publication "Delivering Good Governance in Local Government"

- **ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

The Council has in place both experienced and qualified statutory officers, along with an experienced legal team. All officers across the Council are suitably qualified

for the role they undertake and are expected to undertake CPD to ensure that they are aware of changing legislation. The Council participates in a range of networks which helps ensure that Elected Members and Officers remain up to date and are aware of changes in both legislation and recognised good practice.

- **whistleblowing and for receiving and investigating complaints from the public**

The Council has a whistleblowing charter in place which applies to Employees, Elected Members, the public and external contractors.

- **identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

The Assurance Statement assesses the training /development arrangements in respect of both Members and senior Officers.

- **establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

The Council has secured and maintained Customer Service Excellence status and continues to develop its services to customers through effective consultation, communication and establishment of clear service standards.

- **enhancing the accountability for service delivery and effectiveness of other public service providers**

The Council has well established relationships with other providers of public services. With Health it has a joint programme of promoting active lifestyles. Regular meetings take place with senior officers of the County Council and with neighbouring District Council's. A regular Parish Liaison meeting is held and the Council has good working relationships with all local parish councils. It has an active LSP which links effectively to a range of locally based partnerships, while it has good working relationships with appropriate national agencies such as the Department of Work and Pensions. Appropriate joint service initiatives – including shared services are promoted. In addition to maintaining its good working relationship with other local authorities the Council is seeking to secure further improvements in its relationship with the private sector as it recognises that a prosperous local economy lies at the heart of achieving its own priorities. To support its economic development initiatives the Council is an active member of both the North Midlands and Sheffield City Region Local Economic Partnerships.

- **Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.**

The Council only participates in partnerships and joint working where it is satisfied that robust governance arrangements are in place both in respect of the relationship between the Council and the partnership and within the partnerships own internal governance arrangements.

DRAFT MEMORANDUM TO THE SIGNATORIES OF THE ANNUAL GOVERNANCE STATEMENT

You will be aware that in line with the requirements of the Accounts and Audit (Regulations 2015 and associated good practice guidance that all local authorities are required to prepare as part of the preparation of the Annual Accounts an “Annual Governance Statement”. At the heart of the Annual Governance Statement is a requirement to reflect how the Council conducts its business, both internally and in its dealing with others. In line with good practice it is appropriate that the Leader and the Chief Executive be required to sign off the Governance Statement, with the signed copy appearing alongside the Council’s Published Accounts.

As the Chair of the Audit Committee and the Council’s Responsible Financial and Legal officers we have given appropriate consideration to the Governance Statement that is attached. We are satisfied that it meets the requirements the relevant legislation and good practice and that it gives the reader a true and fair view of the current position within Bolsover District Council. In arriving at this statement we have taken into account the available evidence, and have put in place appropriate mechanisms to allow informed challenge of this document to take place.

In particular we have placed reliance on the following:

- We have developed an Assurance Statement which follows the model set out within the Rough Guide for Practitioners produced by the CIPFA Finance Advisory Network. This Guidance which is now some 8 years old has been supplemented by a consideration of the requirement of the CIPFA / SOLACE publication Delivering Good Governance in Local Government (2012) which has been taken into account in our evaluation of governance arrangements..
- We have considered all of the findings or outcomes of the reports presented by KPMG (our External Auditors), by other external inspections or by Peer Review, and from Internal Audit. Where these reviews have resulted in an unfavourable conclusion this has been taken forward by inclusion in the Key Issues of Financial Governance report which is presented to all routine meetings of the Audit Committee.
- The Governance Statement that is presented here has been compiled by a group of senior officers including the Executive Director Operations (S151 Officer) and has been reviewed by other senior Council Officers.
- The contents of the Governance Statement have been agreed with the Strategic Alliance Management team.

- The statement was agreed by the Council's Audit Committee at its meeting of 16th May 2016.

In the light of the above we consider that it is reasonable to request that you sign the attached Governance Statement. We are satisfied that the contents of the Governance Statement are supported from the evidence collected within the Assurance Statement, and is in line with the issues identified in the Key Issues of Financial Governance Statement. Furthermore, we believe that the Statement has been appropriately prepared by Council officers, and that it has been through a range of challenge mechanisms which ensure that there is effective corporate ownership of the Statement.

John Yates
Chair of the Audit Committee

Bryan Mason
Chief Financial Officer

Sarah Sternberg
Monitoring Officer

Bolsover District Council

Audit Committee

16th May 2016

Annual Review of the Effectiveness of Internal Audit

Report of the Executive Director - Operations

Purpose of the Report

- To provide to the Audit Committee the annual review by the Chief Financial Officer of the effectiveness of the Council's Internal Audit arrangements.
- For the Audit Committee to consider whether the conclusion set out within this report represents a reasonable evaluation of the position in respect of the Internal Audit service and its effectiveness as part of the Council's Governance arrangements.

1 Report Details

Background

- 1.1 The Accounts and Audit Regulations require local authorities to follow proper accounting practices and to maintain an appropriate regime of internal control. These Regulations require that the council will on at least an annual basis conduct a review of the effectiveness of its internal audit service, and that this review will be considered by a committee of the Council as part of the wider consideration of the system of internal control.
- 1.2 Given the role of the Audit Committee in relation to financial governance and internal control issues it is appropriate that this report is brought before that Committee for consideration. These reviews have been undertaken for each year of operation since the current consortium arrangements with Chesterfield and North East Derbyshire became operational in 1 April 2007.

Review of the Effectiveness of Internal Audit

- 1.3 The Chief Financial Officer in reviewing the effectiveness of the Council's Internal Audit Service during 2015/16 is satisfied that an effective service has been provided, and his overall conclusion regarding the service is as follows:

"It is my opinion that the Council's Internal Audit section which is provided as a Joint Service between Chesterfield, Bolsover and North East Derbyshire carries out this function competently and to a high standard. The Consortium provides an effective service upon which I can place reliance."

The sections below outlines the evidence which support that judgement and this Committee are asked to consider and comment upon the reasonableness of the judgement that has been reached.

- 1.4 Firstly, the Internal Audit Consortium has achieved 93% of the Internal Audit Plan for 2015/16 that was approved by this committee on 13th April 2015, with the remaining two audits (which will be completed by the end of May 2016) to be considered as part of the 2016/17 Audit Plan. The Audit Plan is based on a risk assessment process in respect of the Council's systems and internal controls, and the fact that the Plan has effectively been completed by the year end supports the view that a systematic review of the Council's activities has been undertaken during the course of the year. As Chief Financial Officer I was consulted on and agreed the Audit Plan before the start of the financial year. I am satisfied that it was a robust plan which covered all of our main systems of internal control and areas of identified risk. As mentioned above the Plan was reported to this Audit Committee at its meetings on the 13th April 2015, where it was given appropriate consideration. Progress against the Audit Plan has been reported on to this Audit Committee on a regular basis during the year by the Internal Audit Consortium Manager. Elsewhere on this agenda is the Internal Audit Consortium 2015/16 Annual Report to Bolsover District Council, which I am satisfied gives Members a true and fair view as to internal audit procedures and progress during the 2015/16 financial year. It should be noted that the Plan in respect of 2016/17 was agreed at this Committee on 12th April 2016.
- 1.5. Secondly, the most direct outcome which arises from the work of Internal Audit is its formal reports, which cover the areas as agreed within the Audit Plan. These reports provide important evidence which enable other stakeholders to evaluate the quality of the work of internal audit. There are a number of quality checks built into the process of producing and agreeing these audit reports. These include the right of the responsible service manager and Director to comment on the conclusion of the audit and the fact that all of the audit reports are effectively quality checked by the Executive Director Operations and the Assistant Director – Finance and Revenues and Benefits who exercises the Council's client function. Reports are also considered where appropriate by both the Council's Corporate Management Team (Senior Alliance Management Team) and by this Committee. This comprehensive range of quality control has not raised any issues which would conflict with my own views that the reports are prepared to an appropriate professional standard. As Chief Financial Officer no issues have been brought to my attention which would suggest that the Internal Audit service is failing to operate to appropriate professional standards.
- 1.6 Thirdly, the audit team operate to recognised good practice as set out by the Chartered Institute of Public Finance and Accountancy (CIPFA), in its Public Sector Internal Audit Standards (2013, 2016). At the meeting of this Committee on 15th December 2014 a report was brought to this Committee setting out a comparison between the requirements of the Standards with an outline as to how the internal audit function at Bolsover complied with these requirements. That assessment concluded that the Council complied with all main areas of the Standards. An Improvement Plan was agreed to address the minor areas of non compliance.

Progress against that Improvement Plan is covered in Appendix 3 of the Internal Audit Consortium's Annual Report which appears elsewhere on this agenda. In addition a further item on this agenda concerning the update of the Internal Audit Charter amends Internal Audit arrangements to ensure they remain in line with the revisions introduced in the 2016 version of the Code. On the basis of the evidence available the Chief Financial Officer is satisfied that the Consortium is operating in line with the requirements of the Public Sector Internal Audit Standards. In addition the Council operates its internal audit function in line with best practice as set out in the CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations (2010).

- 1.7 It should be noted that under the Public Sector Internal Audit Standards which have applied since April 2013 that the Council is required once every five years to commission an independent review of its Internal Audit function by a suitably qualified external organisation. That review is planned to take place later this year with the principle and process having been agreed at the previous meeting of this Committee on the 12th April 2016.
- 1.8 It should also be noted that the Council's External Auditors KPMG place an on going reliance in its annual audit on the background work of the Internal Audit team in relation to system and other key controls. That work is quality assessed by the KPMG to ensure that it can place reliance on the work of the Internal Audit team. While there is no formal assurance work undertaken by the External Auditors they have not raised any issues regarding the quality of the Internal Audit work that is undertaken on the Council's behalf. This does provide some further assurance regarding the appropriateness of the work that is undertaken on the Council's behalf.
- 1.9 Finally, in terms of the judgement regarding the effectiveness of Internal Audit it should be noted that the service has operated within the approved financial budget since its inception in April 2007. Given that these budgets were based upon the Business Case which was developed concerning the Internal Audit consortium as part of the process of setting up the Consortium arrangements, and that the Business Plan explicitly considered best value issues I am satisfied that the service is providing good Value for Money for the Council. An exercise to review the scope of the Internal Audit Plan against the Audit Plan of other Council's operating within the Derbyshire area which was undertaken in 2013/14 supports the view that the scope of the Internal Audit Work Plan has been appropriately defined. Over the period since its inception the audit resource available to Bolsover District Council has been reduced reflecting the requirement within local authorities to secure on going efficiencies. I am also aware that the Internal Audit Consortium Manager does give consideration to the overall cost of the Internal Audit Consortium in conjunction with colleagues that are part of the Midlands Audit Group.

2 Conclusions and Reasons for Recommendation

- 2.1 Having considered the evidence above and consulted with my colleagues on CMT (SAMT) and my senior finance officers I am satisfied that the Internal Audit Service is operating at an appropriate standard. Given my discussions with the senior staff within the Consortium I am satisfied that the Consortium is in a good position to continue to provide a high quality, cost effective service to the Council.

- 2.2 To establish whether the Audit Committee is in support of the view of the Chief Financial Officer that

"It is my opinion that the Council's Internal Audit function which is provided as a Joint Service between Chesterfield, Bolsover and North East Derbyshire carries out this function competently and to a high standard. The Consortium provides an effective service which I can place reliance on."

3 Consultation and Equality Impact

- 3.1 Given that the purpose of this report is to consider the effectiveness of an existing service it is not considered that there is a requirement for consultation on this matter, or that there is any direct impact upon equality issues.

4 Alternative Options and Reasons for Rejection

- 4.1 The Chief Financial Officer is required by good practice to consider at the end of each financial year whether or not the Internal Audit team provide a service on which he can place reliance. There is therefore no option other than to bring this report to the Audit Committee which is the Committee charged with ensuring the sound financial governance of the Council.
- 4.2 In arriving at the conclusion of the report there is an option to conclude that the Internal Audit team does not provide a service on which the Chief Financial Officer can place reliance. Section 1 of the report sets out the grounds on which the Chief Financial Officer has concluded that the Internal Audit Team does provide a service on which he can place reliance.

5 Implications

5.1 Finance and Risk Implications

- There are no additional financial implications arising out of this report.
- On the basis that the Internal Audit Consortium provided a service on which the Council can place reliance then this provided a significant mitigating factor which will reduce the risk of a failure of the Council's Internal Control arrangements.

5.2 Legal Implications including Data Protection

There are no Legal or Data Protection issues arising directly from this report.

5.3 Human Resources Implications

These are no additional HR implications arising out of this report.

6 Recommendations

- 6.1 That the Audit Committee consider and endorse the views of the Chief Financial Officer in his assessment of the Internal Audit Service during the 2015/16 financial year which is that:

"It is my opinion that the Council's Internal Audit function which is provided as a Joint Service between Chesterfield, Bolsover and North East Derbyshire carries out this function competently and to a high standard. The Consortium provides an effective service which I can place reliance on."

- 6.2 That the Audit Committee make any comments which they consider to be appropriate either on the contents of this report, or on the opinion of the Chief Financial Officer regarding the effectiveness of the Internal Audit service.

7 **Decision Information**

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	None Directly.
Links to Corporate Plan priorities or Policy Framework	All indirectly

8 **Document Information**

Appendix No	Title
N/A	
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Internal Audit Reports relating to individual services.	
Report Author	Contact Number
Executive Director – Operations (Chief Financial Officer)	2431

Bolsover District Council

AUDIT COMMITTEE

16th MAY 2016

KEY ISSUES OF FINANCIAL GOVERNANCE

Report of the Executive Director – Operations

This report is public

Purpose of the Report

- The purpose of the Key Issues of Financial Governance report is to track progress concerning the implementation of previous recommendations from both External and Internal Audit and to inform the Audit Committee of progress in addressing those recommendations. It constitutes a standing item on all agendas of the Audit Committee.

1 Report Details

- 1.1 This report seeks to update Members of the Audit Committee concerning the main issues of financial governance where further progress or ongoing monitoring is required. In particular the report outlines issues raised by both External and Internal Audit in order to monitor progress in resolving these issues and to evaluate the overall progress of the Council's financial governance arrangements. The Committee at its December 2015 meeting considered the Annual Audit Letter from the external auditor (KPMG) concerning the 2014/15 Financial Statements and related issues, whilst the Internal Audit team have provided regular updates concerning progress against the Internal Audit Plan. The outcome of those reports is reflected within this report. The Key Issues of Financial Governance are set out in Appendix 1 which in the view of the Chief Financial Officer constitute the main Strategic Issues of Financial Governance currently facing the Council.
- 1.2 The Strategic Issues which are outlined below are consistent with the conclusions of the External Auditors (KPMG) report on the outcome of the 2014/15 Audit. The key messages from that report concern firstly the quality of the Statement of Accounts where the external auditors were in a position to issue an unqualified opinion on the Statement of Accounts by the 30th September. Secondly, the auditors concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. While the overall conclusions are a satisfactory outcome the detail of the report does identify areas where improvement is required and helps clarify where we need to focus efforts to ensure that existing standards are maintained.
- 1.3. As regards the Council's accounting arrangements the main objective appears to be that of maintaining current standards against a background in which the timetable for the closure of the accounts is being moved forward by a month by

2017/18. The previous meeting of this Committee considered the Council's plans to address these new requirements. Failure to adapt effectively to the tighter closedown timetable will have a significant reputational impact on the Council and is likely to increase the cost of External Audit in signing off the accounts. Given that the Statement of Accounts is a key document for the Council it is important that the Council maintains a focus on providing high quality accounts. Accordingly it was previously agreed by this Committee that the position would continue to be monitored on a regular basis.

1.4 With regard to the value for money conclusion there is still further work to be undertaken before the Council is in a robust position. Whilst the issues identified are consistent with the Council providing value for money to local residents further improvements are necessary to secure arrangements that are "good" rather than "fit for purpose". The issues identified are as follows:

- The Council needs to continue with its programme of work in respect of the management of contracts to ensure that all outstanding issues are satisfactorily resolved. Although progress continues to be made with the most recent Internal Audit report seeing an improved evaluation of 'satisfactory' efforts to maintain good outcomes in this area need to be maintained. Appendix 1 to this report outlines the steps that have been taken by Management in response to the issues that were previously identified.
- While the Council continues to make good progress in protecting its financial resilience by securing the required in year savings targets the Medium Term Financial Plan continues to identify savings requirements on the General Fund well in excess of £1m over the next three financial years. It is noted that progressing the economic development objective agreed by the Council will need to be effectively managed in order to manage the potential risk on the Council's financial position. In addition the External Auditors report notes that the proposed changes concerning rent levels on social housing will have a detrimental impact on the financial sustainability of the HRA which need to be addressed.

1.5. With regard to the work of Internal Audit the Council have received a total of three marginal reports in respect of 2015/16. On the basis that the Council received a total of 3 marginal reports in both 2013/14 and 2014/15 this is an indication that standard of internal control are being maintained.

1.6. With regard to the Strategic Issues that have been agreed these are summarised in the table below (Appendix 1) which provides an outline of the issues together with an update of the current position. Given that these are Strategic Issues the responsibility for addressing them rests with the Chief Financial Officer together with the wider management team. Resolution of the issues is also dependent upon the active support of Elected Members. The role adopted by the Audit Committee has been one of monitoring and evaluating progress and where appropriate requiring and supporting further action from officers.

2 Conclusions and Reasons for Recommendation

Conclusions

- 2.1 The report is intended to provide information to allow the Audit Committee to consider the progress that has been secured in maintaining and improving the Council's financial governance arrangements. While the evidence provided within the report indicates that the Council's financial governance arrangements are robust and are continuing to improve it is important that this progress is maintained and outstanding issues are resolved.

Reasons for Recommendations.

- 2.2 To support the Audit Committee in undertaking its function of providing an ongoing independent review of the Council's financial governance arrangements.

3 Consultation and Equality Impact

Consultation.

- 3.1 There are no issues arising from this report which necessitate a detailed consultation process.

Equalities.

- 3.2 This report does not have any direct implications for Equalities issues.

4 Alternative Options and Reasons for Rejection

- 4.1. Given that the Council has a clear commitment to improving its financial governance arrangements it is appropriate that a formal reporting mechanism is in place to the Audit Committee. This approach is in line with good professional practice and accordingly other options have not been actively considered. While there are options as to the format of this report the current format has been used for a period in excess of three years and has been amended to reflect the views of the Audit Committee. Over this period there has been a systematic improvement in the Council's Financial Governance arrangements which indicate that the approach adopted has assisted in securing the necessary outcomes.

5 Implications

5.1 Finance and Risk Implications

Financial

There are no additional financial implications for the Council as a result of this report.

Risk

This report is intended to assist in ensuring that the Council has robust financial governance arrangements in place. As such it is a key mitigation against any failure or weakening in these arrangements which would have a significant impact upon both the Council's financial performance, its reputation and its service delivery arrangements.

5.2 Legal Implications including Data Protection

There are no Legal or Data Protection issues arising directly from this report.

5.3 Human Resources Implications

There are no Human Resources issues arising directly out of this report.

6 Recommendations

- 6.1. It is recommended that Audit Committee considers whether the Strategic Issues of Financial Governance as set out in the report reflect the key issues facing the Council, and raises any issues of concern which it may have with progress to date.

7 Decision Information

Is the decision a Key Decision? (A Key Decision is one which results in income or expenditure to the Council of £50,000 or more or which has a significant impact on two or more District wards)	No
District Wards Affected	None Directly.
Links to Corporate Plan priorities or Policy Framework	Robust financial Governance arrangements underpin the effective operation of the Council and its ability to secure the full range of Corporate Plan Priorities.

8 Document Information

Appendix No	Title	
1	Key Issues of Financial Governance Update	
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)		
External Audit Reports ; “Report to those Charged with Governance 2014/15 ISA 260” (Audit Committee 23rd September 2015). “Annual Audit Letter” (Audit Committee 14th December 2015). Internal Audit Consortium: “Summary of Progress on the 2015/16 Internal Audit Plan” (Audit Committee 12th April 2016).		
Report Author		Contact Number
Executive Director – Operations (Chief Financial Officer)		2431

Issue Raised	Progress to date including target dates
<p>1. Take effective steps to balance the Council's budget over the period of the Medium Term Financial Plan.</p>	<p>The Council has a good record in respect of achieving targeted levels of savings, with a further robust performance anticipated in respect of 2015/16. On the basis of the current MTFP report the shortfall in respect of next year 2016/17 should be relatively easily resolved. The report does, however, identify a shortfall in excess of £1m over the final two years of the MTFP, which needs to be addressed at the earliest opportunity. Against this background it is important that the Council continues to progress its growth and transformation strategies to secure financial sustainability and enable it to address the identified shortfall. In addition to the position in respect of the General Fund as outlined above the Council in common with all social landlords will be required to implement a 1% p.a. rent reduction over the next four years. This policy together with changes in right to buy and the welfare system has a significant detrimental impact on the Council's HRA and the Council will need to ensure that a robust 30 year business plan remains in place. Progress in both these areas will continue to be reported as part of the Council's quarterly budget monitoring process.</p>
<p>2. To improve the Council's Internal Control arrangements.</p>	<p>This Key Issues of Financial Governance report, together with reports from Internal and External Audit should enable the Audit Committee to monitor the progress that is being made in respect of securing improvements in our internal control arrangements. Internal Audit have undertaken a more prominent role in the Council's Performance Management arrangements since April 2013. Comprehensive training programme have been delivered to all cost centre managers during the summer of 2014, with a further programme completed during the autumn of 2015. Progress reports from the Head of Internal Audit to this Committee will continue to highlight where areas have been assessed as marginal in respect of internal control.</p>
<p>3. To ensure that issues around the Council's contractual arrangements are resolved and that good quality arrangements remain in place.</p>	<p>The most recent review by Internal Audit has concluded that managerial arrangements in this area were 'satisfactory' which is a significant improvement on the previous assessments of marginal. A number of measures have been put in place in order to secure further improvement which can be summarised as follows:</p> <ul style="list-style-type: none"> • Two training programmes including a significant element concerning procurement contracts have been delivered. • The Council is using the contract data required under the Transparency Agenda as the basis for securing improvements in our managerial arrangements. • The Council has entered into a shared service arrangement with Chesterfield Royal Hospital in order to secure access to specialist procurement advice. • Procurement issues will continue to be a standing item within the Quarterly Finance, Risk and Performance meetings.

<p>4. To maintain a high standard of external financial reporting particularly in respect of the published accounts, against a background of a reduction in the statutory timescale for the closure of accounts.</p>	<p>The Council has continued to improve the quality of its financial accounts with the Audit report in 2014/15 indicating that our arrangements are robust. That standard needs to be maintained against a background of a reduction in the statutory timescale for the production of the Statement of Accounts. In particular the Council will need to ensure 'corporate buy in' to revised timescales, whilst ensuring appropriate training and development arrangements are in place for the accountancy team. The position will continue to be monitored as part of the Key Issues of Financial Governance report.</p>
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11th May 2016



The Arc
High Street
Clowne
Derbyshire
S43 4JY

Dear Sir or Madam

AUDIT COMMITTEE – MONDAY 16TH MAY 2016 AT 2PM

I refer to your recently circulated agenda and now enclose the following item of business;

OPEN ITEMS

Agenda Item 4 - Minutes of a meeting held on 12th April 2016. Pages 1 to 9.

Yours faithfully

A handwritten signature in black ink that reads "Sarah Steuberg".

Assistant Director of Governance and Monitoring Officer
To: Chairman & Members of the Audit Committee

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AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in the Council Chamber on Tuesday 12th April 2016 at 1400 hours.

PRESENT:-

Independent Member:-

Mr J. Yates in the Chair

Members:-

Councillors J.A. Clifton (from Minute No. 0929), M.J. Dooley, S.W. Fritchley, D. McGregor and K. Reid.

Officers:-

B. Mason (Executive Director – Operations), J. Williams (Head of Internal Audit) and A. Bluff (Governance Officer).

Also in attendance at the meeting was T. Crawley - Audit Team Lead – KPMG.

0918. APOLOGY

An apology for absence was received on behalf of Councillor A.M. Syrett.

0919. URGENT ITEMS OF BUSINESS

There were no urgent items of business to consider.

0920. DECLARATIONS OF INTEREST

There were no declarations of interest made.

0921. MINUTES – 18TH JANUARY 2016

Moved by Councillor K. Reid and seconded by Councillor M.J. Dooley

RESOLVED that the minutes of an Audit Committee meeting held on 18th January 2016 be approved as a true record.

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0922. REPORTS OF THE EXTERNAL AUDITOR (KPMG) – EXTERNAL AUDIT PLAN 2015/16: MARCH 2016

Committee considered a report of KPMG in relation to the external audit plan 2015/16, which provided an update to Members as at March 2016.

The audit planning process and risk assessment was an ongoing process and the next audit review carried out by KPMG would be with regard to the Council's Financial Statements including the Annual Governance Statement. In addition, KPMG would also be concluding on the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources (the value for money conclusion).

Tony Crawley drew Members attention to the report which set out the key aspects of the financial statements audit planning. The report included a diagram which identified significant risks and other areas of audit focus which were expanded on in the report.

The provision for Business Rate appeals was one other area of audit focus since local authorities had little control over the level of appeals and their outcome. Successful appeals and timescales to settle an appeal were difficult to anticipate making it a matter of judgement as to when the financial impact could fall. KPMG would review the Council's approach to estimating its provision for business rate appeals against the requirements of IAS 37.

The Value For Money (VFM) audit approach was fundamentally unchanged from that adopted in 2014/15 and the process was shown in a diagram contained in the report. The previous two specified reporting criteria, financial resilience and economy, efficiency and effectiveness had been replaced with a single criteria supported by three sub criteria which provided a focus on KPMGs VFM work at the Authority.

In response to a Member's query regarding NNDR and schools, Tony Crawley noted that the Government had not yet provided any details. He added that localisation of business rates meant that the Council needed to keep up to date concerning the risks and be prepared to address them.

Moved and seconded

RESOLVED that the report be noted.

0923. REPORTS OF THE EXTERNAL AUDITOR (KPMG) – EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE: MARCH 2016

Committee considered a progress report from KPMG in relation to their audit work for the Authority which also highlighted the main technical issues which were currently having an impact upon local government.

It was noted that the Local Government Association (LGA) was asking local authorities if they would be interested in a national procurement option for external audit – this was viewed as an option to secure the lowest possible prices while it removed the need for the Council itself to appoint an Independent Panel to appoint external auditors. A decision

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would not need to be made until April 2017. The Executive Director – Operations advised the meeting that he was proposing to indicate to the LGA that Bolsover District Council would wish to be part of the group of authorities who were prepared 'in principle' to look at a sector wide approach, co-ordinated by the LGA, in order to procure External Audit work.

Moved by Councillor D. McGregor and seconded by Councillor K. Reid
RESOLVED that the report be noted.

0924. REPORTS OF THE INTERNAL AUDIT CONSORTIUM; INTERNAL AUDIT PLAN 2016/17

Committee considered a report which sought Members agreement of the Internal Audit Plan for 2016/17.

A key requirement of the Public Sector Internal Audit Standards (PSIAS) was that a periodic risk based plan should be prepared that was sufficiently flexible to reflect the changing risks and priorities of the Council. The risk based plan should be fixed for a period of no longer than one year and should outline the assignments to be carried out along with their respective priorities and estimated resources needed.

The internal audit plan was aimed at helping achieve the Council's corporate aims.

Systems were examined and evaluated to ensure that they were effective and efficient and that the controls in place were operating as intended.

A note explaining the role, purpose and some of the terminology used in the internal audit plan was attached as appendix 1 to the report.

A summary of the internal audit plan for 2016/17 was provided as follows. A detailed plan was attached as appendix 2 to the report.

Summary	Audit Days
Main Financial Systems	205
Other Operational Audits	120
Computer / IT Related	12
Fraud and Corruption	10
Corporate / Cross Cutting	66
Alliance Accounts/NFI Key contact	15
Special Investigations & Contingency	40
Audit Committee / Client Liaison	15
Grand Total	483

Resource availability had been based on the Consortium Business Plan for 2016/17. The plan allocated 483 days to the Council for 2016/17, which was the same allocation as 2015/16.

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A copy of the audit plan was also provided to the Council's external auditor (KPMG) to assist in co-ordination of work programmes.

Attached as appendix 3 to the report was a Fraud Risk Register which sought to analyse the risks facing the Council together with reviewing the mitigation which was in place to address these risks. It was noted that an annual report summarising the outcome of the 2015/16 internal audit plan would be presented to a future Audit Committee following the year end.

Moved by Councillor M.J. Dooley and seconded by Councillor S.W. Fritchley
RESOLVED that the Internal Audit Plan for 2016/17 be agreed.

0925. REPORTS OF THE INTERNAL AUDIT CONSORTIUM; EXTERNAL REVIEW OF INTERNAL AUDIT

Committee considered a report which consulted Members on the format of the external review of internal audit that was required by the Public Sector Internal Audit Standards (PSIAS).

The Internal Audit Consortium Manager was required to consider, in advance of the assessment and in conjunction with the Audit Committee, the form that external assessment should take, the qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

An internal self-assessment against the PSIAS utilising the recommended CIPFA checklist had been undertaken on an annual basis by the Internal Audit Consortium Manager since the Standards were introduced on 1st April 2013 with the resultant improvement plans being reported to and monitored by Audit Committee.

The PSIAS required that an external assessment should be carried out at least once every 5 years by a qualified, independent assessor or team. The first external assessment needed to be completed by April 2018.

The external assessment could be either a "full" external assessment or a self-assessment with "independent validation". Members would firstly need to decide if a full assessment or a validation of a self- assessment was more appropriate.

A full assessment would provide Members with a greater level of assurance of the quality of internal audit, however, the cost of this would be greater than a validation of a self-assessment. A validation of the self-assessment would involve the external provider reviewing the evidence against the recommended PSIAS checklist that the Internal Audit Consortium Manager would provide and assessing its adequacy.

Whichever assessment option was selected, the assessors would need to be appropriately qualified. Competence could be demonstrated through a mixture of experience and theoretical knowledge. The Standards stated that experience gained in organisations of similar size, complexity, sector or industry and technical issues was more valuable than less relevant experience.

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It was difficult to predict the cost of the assessment with accuracy - the Midlands Audit Group had been surveyed, however, a number of Council's that had participated in the survey were only just looking at undertaking their first external assessment. From the small number of responses received, costs/quotes ranged from £2,500 per Council up to £10,000. As all four Council's, (Bolsover, North East, Chesterfield and Derbyshire Dales), utilised the same working practices and documentation this should result in some economies of scale. A budget to fund this work had previously been approved by the Joint Board.

All four Councils also use the Royal Hospital NHS procurement service and the NHS procurement team had been consulted and had advised that the best way forward would be to advertise the contract on Source Derbyshire. The NHS procurement service could assist in putting the documentation together and could receive quotations through their electronic system.

Consideration had also been given to a peer review e.g. Derbyshire County Council's Internal Audit Section, however, on balance it was felt that a peer review could lead to a potential conflict of interest or have a detrimental effect on future relations.

Moved by Councillor S.W. Fritchley and seconded by Councillor D. McGregor

RESOLVED that (1) the procurement of an external provider to undertake an "independent validation" of the self-assessment of internal audit that had been undertaken by the Internal Audit Consortium Manager is authorised to proceed,

(2) the procurement exercise is to be undertaken on behalf of the Internal Audit Consortium partner members and also Derbyshire Dales District Council,

(3) the Internal Audit Consortium Manager and the Section 151 Officer are granted delegated authority to agree a specification and to assess the external provider quotations based on cost and quality and to appoint an external provider to undertake the assessment.

(Executive Director – Operations/ Internal Audit Consortium Manager)

0926. REPORTS OF THE INTERNAL AUDIT CONSORTIUM; SUMMARY OF PROGRESS ON THE 2015/16 INTERNAL AUDIT PLAN

Committee considered a report which provided information on progress made by the Audit Consortium during the period 28th November 2015 to 24th March 2016 in relation to the 2015/16 Annual Internal Audit Plan.

The report included an appendix which provided both a summary of internal audit reports issued during the period together with details of work in progress.

Internal Audit Reports were issued as drafts with five working days being allowed for the submission of any proposed factual changes after which time the report was designated as a Final Report. Fifteen working days were allowed for the return of the Implementation Plan.

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The appendix showed for each report a summary of the overall audit opinion on the audit together with the number of recommendations made / agreed where a full response had been received.

The overall opinion column gave an assessment of the reliability of the internal controls examined in accordance with standard classifications.

In respect of the service audits being reported upon, it was confirmed that there were no issues arising relating to fraud that needed to be brought to the Committee's attention.

The Internal Audit Consortium Manager stated that credit was due to officers that internal controls were in place and operating properly. This statement was also echoed by Councillor Dooley.

The following audits were currently in progress;

- Data Protection
- Taxi Licences
- Main Accounting and Budgetary Control
- Members Expenses
- Cash and Bank

Moved by Councillor D. McGregor and seconded by Councillor M.J. Dooley
RESOLVED that the report be noted.

0927. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS; REVISED FINAL ACCOUNTS CLOSEDOWN TIMETABLE

Committee considered a report which informed Members of upcoming legislative changes in the final accounts timetable that would be imposed upon all local authorities from the 2017/18 final accounts process and of the steps that would be taken to ensure the Authority could achieve the revised dates for preparing the Statement of Accounts.

The final accounts process and timescales that the Authority worked to were determined by legislation. Currently, there were two key deadlines; the first was the date by which the draft statement of accounts were produced and published and the second was the date by which the final audited version was published.

New legislation would change the current dates with effect from the 2017/18 final accounts as set out below;

	Current Timescale	New Timescale
Draft Statement of Accounts	30 June	31 May
Final Audited Statement of Accounts	30 September	31 July

The Authority now needed to find ways to produce the same Statement of Accounts a month earlier.

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Local authorities had been aware of the upcoming new legislation and had been aiming for faster closedown of their accounts to enable them to iron out any problems. The Council's external auditors, KPMG, were also keen to see that processes were in place to enable a faster closedown thus providing reassurance that the new more challenging timetable could be achieved.

For the 2015/16 final accounts process, a timetable had been put in place internally that was planned to achieve the new deadline of having a draft statement of accounts ready for publishing by 31 May 2016. The Accountancy Team would therefore be undertaking detailed monitoring of the performance against individual elements of the timetable in order to identify any blockages to the effective operation of the close down process.

In order to achieve this deadline, the role and responsibilities of the Audit Committee will also be required to change. Previously the Committee had undertaken the role of approving the Annual Governance Statement in May, agreeing the draft statement of accounts in June and approving the audited statement of accounts in September. Due to the tight timescale, it was proposed that the Audit Committee would not now see the draft statement of accounts prior to them being published. Audit Committee would still be responsible for approving the Annual Governance Statement in May and for approving the audited Statement of Accounts, which for the 2015/16 financial year would come to Committee in September 2016. It was envisaged that in future years, the Council's external auditors, KPMG, would move towards achieving the tighter deadline of July imposed upon them.

This challenging timescale could only be achieved by Financial Services if they received full co-operation and support from Audit Committee, Strategic Alliance Management Team and all budget officers. All staff with a role in the closedown process had received clear instructions including a budget timetable by which key tasks needed to be concluded.

Moved by Councillor D. McGregor and seconded by Councillor M.J. Dooley

RESOLVED that (1) the changes to the final accounts timetable be noted,

(2) Audit Committee agree to support Financial Services in achieving the new deadlines.

(Executive Director – Operations)

0928. REPORTS OF THE EXECUTIVE DIRECTOR OPERATIONS; AUDIT COMMITTEE WORK PROGRAMME 2016/17

Members considered a report in relation to an appropriate Work Programme for Audit Committee for 2016/2017.

The absence of a work programme was one of the main issues identified at the Audit Committee meeting held on 18th January 2016 when Members undertook a self assessment of the Committee's effectiveness against the CIPFA / SOLACE benchmarks for an Audit Committee.

As Committee considered a range of financial and governance issues on a regular basis it was appropriate that an Annual Work Programme be agreed.

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A proposed Work Programme for 2016/17 was set out in an appendix to the report and Members were asked to note that the Plan should be viewed as having an element of flexibility, although it was important that all the reports outlined were considered by the Committee at some stage during the year.

The draft work programme would enable Members to give structured consideration as to whether the proposed agenda items were appropriate and served to meet the objectives of the Committee in the light of accepted good practice.

The Executive Director – Operations informed the meeting that it was proposed to set up an Audit Forum across Derbyshire with guest speakers including KPMG and other councils. This would potentially offer a cost effective approach to securing appropriate training for Members of the Audit Committee.

Moved by Councillor D. McGregor and seconded by Councillor M.J. Dooley
RESOLVED that the proposed Audit Committee Work Plan for 2016/17 be approved.

(Executive Director – Operations)

Councillor Clifton entered the meeting at this point.

0929. REPORTS OF THE EXECUTIVE DIRECTOR OPERATIONS; KEY ISSUES OF FINANCIAL GOVERNANCE

Committee considered a report of the Executive Director – Operations in relation to the Key Issues of Financial Governance.

The report provided an update to Members concerning the main issues of financial governance where further progress or ongoing monitoring was required. In particular the report outlined issues raised by both External and Internal Audit in order to monitor progress in resolving these issues and to evaluate the overall progress of the Council's financial governance arrangements.

The Key Issues of Financial Governance were set out in an appendix to the report and in the view of the Chief Financial Officer constituted the main Strategic Issues of Financial Governance currently facing the Council.

Moved by Councillor M.J. Dooley and seconded by Councillor D. McGregor
RESOLVED that the report be received.

0930. REPORTS OF THE EXECUTIVE DIRECTOR – OPERATIONS; LOCAL GOVERNMENT BUDGET SURVEY

Members considered a document of the Council's external auditors, KPMG, in relation to a local government survey on budget monitoring.

The Survey document was a national report and was aimed at helping KPMG clients to take a fresh look at their approach to budget setting and monitoring.

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The document, along with a slide presentation, had also been presented to Budget Scrutiny Committee at its meeting on 7th March 2016.

Tony Crawley, KPMG, noted that audit committees faced a challenging task arising from the complexity of local authority accounting arrangements; however, it was important for Members to provide constructive challenge to the financial information presented to them.

A Member noted the uncertainty around business rates which were currently some 40% of the Council's overall income and he queried what may happen if there was a drastic change from the Government. The Executive Director – Operations replied that the Government had not yet provided any details about how the localisation of business rates would work. This was still out to consultation. If risks increased then the Council may need to look at the level of reserves which it had available to help manage such risks.

A discussion took place.

Moved by Councillor D. McGregor and seconded by Councillor S.W. Fritchley
RESOLVED that the KPMG report, Local Government Budget Survey, be noted.

The meeting concluded at 1450 hours.