

AUDIT COMMITTEE

AGENDA

Tuesday 16th May 2017 at 1400 hours in the Chamber 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.	To approve the minutes of a meeting held on 11 th April 2017.	3 to 8
5.	Reports of the Internal Audit Consortium;	
	(A) Summary of Progress on the 2016/17 Internal Audit Plan.	9 to 13
	(B) Internal Audit Consortium 2016/17 Annual Report to Bolsover District Council.	14 to 36
6.	Reports of the Executive Director – Operations;	
	(A) Annual Governance Statement and Local Code of Corporate Governance.	37 to 83
	(B) Annual Review of the Effectiveness of Internal Audit.	84 to 88
	(C) Key Issues of Financial Governance.	89 to 93
	PART 2 – EXEMPT ITEMS <i>The Local Government (Access to Information) Act 1985, Local Government Act 1972, Part 1, Schedule 12a (relevant exemption paragraph is cited next to the agenda item).</i>	
	<u>Paragraph 3</u>	
7.	(A) Update on addressing issues identified in 'Marginal audit reports'.	Verbal Update

Bolsover District Council

Audit Committee

16th May 2017

<p>Summary of Progress on the 2016/17 Internal Audit Plan</p>
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This report is public

Purpose of the Report

- To present, for members' information, progress made by the Audit Consortium, during the period 18th March 2017 to 28th April 2017, in relation to the 2016/17 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 2016/17 Consortium Internal Audit Plan for Bolsover District Council was approved by the Audit Committee on the 12th April 2016.
- 1.2 The Consortium Agreement in paragraph 9.3 requires that the Head of the Internal Audit Consortium (HIAC) or his or her nominee will report quarterly (or at such intervals as the HIAC may agree 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 18th March 2017 – 28th April 2017, for audits included in the 2016/17 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 transport audit, it can be confirmed that a potential issue in relation to fraud has arisen as a result of a whistle blowing complaint. The Assistant Director Street Scene has referred the issue to the Police (Action Fraud Unit) and had a meeting with them to discuss, their response and any proposed action is awaited.

1.8 The following audits are currently in progress:

- Sickness absence
- Business Continuity
- Land Charges
- Housing Allocations and Lettings

2 Conclusions and Reasons for Recommendation

2.1 To inform Members of progress on the Internal Audit Plan for 2016/17 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 18 th March – 28th April 2017
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	01246 217547

BOLSOVER DISTRICT COUNCIL

Appendix 1

Internal Audit Consortium - Report to Audit Committee

Summary of Internal Audit Reports Issued – 18th March – 28th April 2017

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B026	Safeguarding	To ensure that the Council has adopted the relevant policies and ensured that staff are suitably trained and well informed.	Satisfactory	29/03/17	19/04/17	4M	4
B027	Housing Rents	To ensure that rents are charged promptly and accurately and that debt collection procedures are operating.	Good	10/01/2017	31/01/2017	0	0
B028	Payroll	To review the operation of the controls in place	Good	24/04/2017	16/05/2017	2M	Note 1

Report Ref No.	Report Title	Scope and Objectives	Overall Opinion	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B029	Health and Safety	To ensure that up to date policies are in place and that the corporate health and safety function complies with legislation	Marginal	26/04/2017	18/05/2017	2H	Note 1
B030	Transport	To review the procedures in place in relation to vehicles, plant, drivers licences, fuel issues, taxi service and MOT testing	Unsatisfactory	26/04/2017	18/05/2017	19 (13H 3M 3L)	Note 1
B031	BACS	To ensure that the BACS system is secure	Good	Finalising report	N/A	1L	Note 2

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

Note 1 Response not due at the time of writing the report

Note 2 The BACS work is complete and report drafted however a close out meeting is to be scheduled with the Chief Accountant once the 2016/17 accounts have been closed.

Bolsover District Council**Audit Committee****16th May 2017****Internal Audit Consortium 2016/17 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 2016/17 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
- Confirm progress against the Internal Audit action plan that was developed following an external review of internal audit
- Comment on the results of the internal quality assurance programme
- 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 2016/17 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 2016/17	Percentage 2015/16
Good	22	71	61
Satisfactory	4	13	28
Marginal	4	13	11
Unsatisfactory	1	3	0
Unsound	0	0	0
Total	31	100	100.0

- 1.2 A definition of the above control levels is shown in Appendix 1.

- 1.3 There was one issue potentially relating to fraud arising from the reports detailed in Appendix 1. In relation to the transport audit, a potential fraud has been referred to the Police (Fraud Action Unit). The Assistant Director Street Scene has met with the Fraud Action Unit and their intended action/response is awaited.
- 1.4 The following table summarises the performance indicators for the Internal Audit Consortium as detailed in the Internal Audit Service Plan:

Description	2016/17		2017/18
	Plan	Actual	Plan
Cost per Audit Day	£286	£256 Note 1	£280
Percentage Plan Completed (BDC)	96%	94% Note 2	96%
Sickness Absence (Days per Employee)	8.0 (Corporate Trigger)	2.4	8
Customer Satisfaction Score (BDC)	85%	93%	85%
To issue internal audit reports within 10 days of the close out meeting. (BDC)	90%	94%	90%
Number/proportion of audits completed within time allocation (BDC)	80%	81%	80%
% 2016/17 Agreed recommendations implemented by due date (BDC)	80%	73% Note 3	80%
Quarterly reporting to Audit Committee	100%	100%	100%

Note 1 - This is due mainly to the 0.5 vacant post within the Consortium structure not being filled and an underspend on the training budget. A decision has been taken not to fill the vacant post however the budget for this has now been used to fund a full time Senior Auditor post (as opposed to 0.9 FTE of the retiring Senior Auditor) and also to pay a market supplement on this post which has enabled another qualified Officer to be appointed.

Note 2 - In respect of the 2016/17 internal audit plan, 100% of the plan will be completed however the last 2 reports in respect of business continuity and sickness absence management are in the process of being finalised.

Note 3 – Only 73% of recommendations due for implementation at the time of writing the report were shown on PERFORM as having been implemented. This may be partly due to Officers not updating PERFORM in a timely manner. Officers will be reminded at the next quarterly directorate meeting to update PERFORM promptly.

OPINION ON THE ADEQUACY AND EFFECTIVENESS OF THE CONTROL ENVIRONMENT

- 1.5 In respect of the main financial systems, Appendix 1 shows that in all cases the internal controls were found to be operating well, giving an overall confidence in the internal control system operating in relation to these systems.
- 1.6 Overall, 84% of the areas audited received a good or satisfactory opinion demonstrating that on the whole there are effective systems of governance, risk management and control in place.
- 1.7 There were 4 marginal reports issued during the year (Taxi Licensing, Section 106, Use of Social and health and safety) and 1 unsatisfactory report (Transport) 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. The implementation of the recommendations made will be tracked through quarterly directorate meetings and the PERFORM management system. Transport will be re-visited by internal audit in 2017/18 to ensure that the control environment has been strengthened.
- 1.8 In respect of health and safety, although a marginal report was issued it was evident that improvement has been made and that systems are in the process of becoming embedded.
- 1.9 In addition to the above, Members will also be aware of high risk areas that are detailed on the Council's Strategic Risk Register i.e.:-
- Changes in Legislation/impact of Brexit
 - Budget Challenges
 - Staff morale and recruitment difficulties
 - Delivery of major initiatives
 - Emergency planning and business continuity arrangements
 - Lack of strategic direction
 - Data protection failures
 - Governance arrangements

These risks are all managed corporately and controls put in place to mitigate risk where possible.

ISSUES FOR INCLUSION IN THE ANNUAL GOVERNANCE STATEMENT

- 1.10 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. The internal control issues relating to the marginal and unsatisfactory reports issued have been included on the Annual Governance statement as issues identified.

COMPARISON OF PLANNED WORK TO ACTUAL WORK UNDERTAKEN

- 1.11 The Internal Audit Plan for 2016/17 was approved by the Audit Committee on the 12th April 2016.

- 1.12 A decision was taken by the Internal Audit Consortium Manager and the Director of Operations to delay the audit of Clowne Leisure Centre to enable the new facility to be up and running before an audit takes place. This audit was replaced by an audit of sickness absence management which is currently in progress. In respect of the 2016/17 internal audit plan, 100% of the plan will be completed however the last 2 reports in respect of business continuity and sickness absence management are in the process of being finalised.

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

- 1.13 During 2016/17 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.
- 1.14 In October 2016 the internal audit consortium was subject to an external review to ensure compliance with the Public Sector Internal Audit Standards. The review concluded that the Consortium was compliant with and in places exceeded the requirements of the PSIAS but a number of recommendations were made to further enhance the service provided by the Consortium. The progress made against the action plan so far is detailed at Appendix B.
- 1.15 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.
- 1.16 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. A further review of the audit manual is scheduled for the summer of 2017.
- 1.17 The above quality control procedures have ensured conformance with the PSIAS.

- 1.18 Based on the customer satisfaction survey forms returned, the average score was 93% for customer satisfaction during 2016/17 (2015/16 result 94%).
- 1.19 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 2015/16 score was also 91.4%.

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

- 1.20 The Audit Charter was last reported to and approved by the Audit Committee in June 2016.
- 1.21 Based on the information provided in this report on the completion of the 2016/17 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 2016/17.
- 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 2016/17 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 2016/17 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 “transforming our organisation” which looks to continually improve the organisation.

8 Document Information

Appendix No	Title
Appendix 1	Internal Audit Reports issued 2016/17
Appendix 2	Internal Audit Consortium External Review action Plan Update
Background Papers	
Report Author	Contact Number
Jenny Williams Internal Audit Consortium Manager	01246 217547

Bolsover District Council – Internal Audit Reports Issued 2016/17

Ref	Report Title	Overall Opinion 2016/17	Overall Opinion Previous Audit
1	Network Security	Good	Good
2	Right to Buy	Good	Satisfactory
3	Planning Fees	Good	Good
4	Insurance	Good	Good
5	Corporate Targets	Good	Good
6	Gas Servicing	Satisfactory	Good
7	Taxi Licensing	Marginal	Satisfactory
8	VAT	Good	Good
9	Street Cleansing	Good	N/A
10	Council Tax	Good	Good
11	Section 106	Marginal	Marginal
12	Treasury Management	Good	Good
13	Housing Benefits	Good	Good
14	Sundry Debtors	Good	Good
15	Use of Social Media	Marginal	N/A
16	Stores	Good	Marginal
17	Creditors	Good	Good
18	Ambition Project	Good	N/A
19	Housing Repairs	Good	Good
20	Cash and Bank	Good	Good
21	Homelessness	Satisfactory	Marginal
22	Data Protection	Satisfactory	Satisfactory
23	Budgetary Control	Good	Good
24	Non Domestic Rates	Good	Good
25	Main Accounting	Good	Good
26	Safeguarding	Satisfactory	N/A
27	Housing Rents	Good	Good
28	Payroll	Good	Satisfactory
29	Health and Safety	Marginal	Marginal
30	Transport	Unsatisfactory	Good
31	BACS	Good	N/A

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.

Report Title:	External Review of Internal Audit (October 2016).	Update April 2017	
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Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
RESOURCES Supervision Supervision of an internal audit assignment is not always evidenced within internal audit files. A formal file review document is completed by a supervisor following exit meetings or production of a draft report, with supervision during an audit being conducted through discussion and monthly 121 meetings.	The nominated supervisor should ensure and evidence that active supervision is maintained and documented throughout the assignment process through recording involvement and instructions on the review form. A suggested format for diarising supervision which is used within peer providers is attached as Appendix 1 File review forms should be introduced at DDDC as part of a standard approach.	Part	IAC Manager/ Senior Auditors	Ongoing	Complete – review documentation is completed at the end of an audit with any significant issues arising during the audit also being recorded.
		Y	IAC Manager	Immediate	Complete – forms introduced
COMPETENCY Governance and standards The Internal Audit Manual is a comprehensive document which refers to the PSIAS but does not sufficiently reference the processes that audit staff should follow in conducting assignments	The Internal Audit Manual could be beneficially improved by referring directly to those PSIAS standards that must be followed and providing detailed advice regarding expectations, particularly in respect of each area.	Y	IAC Manager	August 2017	Not Started - IAC Manager to review and update audit manual to include more detail in respect of specific PSIAS standards. Internal audit staff all have a copy of the standards however a copy of the PSIAS Standards will be appended in the audit manual

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
to the various standards. We feel that this would help to elevate the understanding and status of internal audit if the key standards within the PSIAS were fully documented within the document.					
COMPETENCY Internal Audit Planning Whilst planning is based upon a risk model as required by the PSIAS, the process largely depends on an assessment devised by internal audit; this shows a financial bias and the use of different definitions of risk impact to those approved within the Council risk management strategy; rather than reflecting the wider and accepted risk issues being recognised by the Council. There should be a direct and identified link between the internal audit plan content discussed with Audit Committees	a) Audit Plans should be constructed to achieve the objectives of the department as set out in the Internal Audit Charter and the audit planning process designed to reflect the same through transparent alignment with the Council wide approach to risk management.	Y	IAC Manager	For 17/18 IA Plan	Complete – Audit plans devised following thorough risk analysis and discussion with client officers. The plan details the key risk element and links to the strategic/corporate risk registers.
	b)The internal audit planning process should further identify other sources of assurance that are available and upon which Councils can place reliance.	Y	IAC Manager	August 2017	Not Started - IAC Manager to meet with Directors/Heads of Service/ raise at CMT/quarterly Directorate meetings to identify and document other sources of assurance that are available upon which the Council can place reliance. The results of this exercise can then be used to further inform the basis for the internal audit plan.

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
<p>which aligns with the Council's risk management systems; beneficially reflecting both identified controls and assurances available. The risk based reasoning for inclusion of the assignment in the audit plan should be evident (why is there a need for independent assurance?) and in turn this should drive the preparation of the terms of reference for each assignment as recorded within the Audit Brief.</p>	<p>c) The starting point for the development of the Audit Brief should be a preliminary discussion with management regarding the inherent and residual risks relevant to the audit area under review. It may aid assignment planning if the management objectives for the area under review were also identified. This should result in the formation of a direct link with the Authority's risk register and the key mitigating controls highlighted, thereby aiding the understanding and ability of members of the Audit Committee to contribute to the assurance agenda.</p>	Y	IAC Manager/ Senior Auditors	April 2017	Complete – Audit Brief updated to record potential risks. Preliminary discussion with management identifies risks and mitigation factors.

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
<p>COMPETENCY</p> <p>Training The department has an experienced team of internal audit staff whose training needs are assessed through regular 121 meetings and appraisal and development meetings. Most staff have a relevant qualification, although only the IACM and one other member of staff have a recognised CCAB or IIA certification. The team attend routine meetings of various groups locally and regionally and use is made of dedicated cost effective training that is available. The IACM ensures that available budgets are used to best effect.</p> <p>Whilst the IA team have identified technology related issues given the nature of cyber risk it is felt that this is a weakness that should be addressed.</p>	<p>a) Consideration should be given to those areas within the training matrix which reflect greatest need for routine mandatory training of a professional or technical nature. These may relate to areas such as Data Protection or health and Safety where it is important for all staff to have a firm understanding or specific training relating to internal audit such as risk based internal audit or reporting.</p>	Y	IAC Manager	Ongoing	<p>On-going - all audit staff have regular data protection, information security and safeguarding training and undertake corporate training as available/required. Health and safety modules are soon to be added to CBC's learning pool of training modules.</p> <p>Consideration will continue to be given to the provision of other training in relation to technical and professional areas within the confines of the budget available.</p> <p>Consideration will be given to further risk training for the audit team. The Nottinghamshire Audit Group is currently investigating the provision of risk management training for staff.</p>
	<p>b) There is a need for the Consortium to be able to provide assurance relating to IT risks given the increasing complexity of technology and associated controls. It is therefore essential that appropriate professional training is supported for a member of</p>	Y	IAC Manager	As required	<p>On-going A discussion has been held with the Head of IT and it is evident that a great deal of assurance can be gained from the external assessment and requirements to meet PSN.</p> <p>The Internal Audit Consortium will continue to review elements of IT during every audit and to conduct specific IT audits.</p>

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
	the team or that the service is acquired externally in order to deliver on the assurance needs of the consortium members.				The possibility of utilising external specialist support e.g. DCC or Derby City IT internal auditors will be kept under review.
<p>COMPETENCY</p> <p>Control evaluation The IAC uses the following gradings for the assessment of controls included within the testing schedule.</p> <p>Good – A few minor recommendations (if any) Satisfactory – minimal risk; a few changes 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</p>	<p>The Consortium should consider the merits of moving to expression of the control in environment in the form of:-</p> <p>a) The appropriateness of the control environment having regard to the significance of the risks involved – adequate/inadequate, and</p> <p>b) Whether the control is being consistently applied – effective/ineffective</p>	Y	IAC Manager	April 17	Complete - the audit opinion from 2017/18 will be based on levels of assurance.

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
<p>required</p> <p>Our view would be that this represents an overly complex structure for expression of an opinion on the control environment and the nature of the issue identified against which a recommendation will be made. Standard practice is for each control to be assessed in terms of its adequacy and effectiveness, with the subsequent recommendation being graded as risk based (see Delivery 3b/c)</p>					
<p>DELIVERY</p> <p>Focus on pre-identified controls</p> <p>Assignments are dominated by previously identified controls emanating from CIPFA control matrices which are then tested to specified testing levels rather than provide focus on significant risk and associated key controls identified and evaluated as part of the documentation process. Benefits would be achieved</p>	<p>Internal audit working papers should focus on major risks to the Council that have been identified and discussed with the auditee.</p> <p>Assignment briefs should therefore reflect assessment of risks as defined within the Councils risk impact definitions and then consider the controls that are required to mitigate that risk within the risk appetite</p>	Part	IAC Manager/ Senior Auditors	Ongoing	<p>On-going – test schedules are reviewed before the commencement of each audit to ensure that they are still relevant and concentrate on the key risk areas.</p> <p>The audit brief has been updated to record the key risks identified at the commencement of the audit</p>

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
through increased focus on agreed “local” key controls relating to the business critical risks and then tested according to the materiality of their contribution to the Council’s risk management framework. Whilst the current testing is robust, documented and well evidenced it may not provide assurance relating to the most significant risks to which the service is exposed.	of the Council. An example risk based Assignment Brief is included as Appendix 2.				
DELIVERY Methodology and use of walk-through tests For core financial systems, systems documentation exists and is well understood supported by flowcharts, in accordance with para 8.1.1 of the Internal Audit Manual. For other audits whilst it is accepted the system notes exist mostly in the form of notes within the evidence collected, files do not contain an outline of the system as specified in the	a. Auditors should complete at least a system note at the start of each audit in order to outline an overview of the processes being reviewed in order to aid understanding and the structure of the audit and provide an understanding of the system to aid supervision and the efficient conduct of future audits.	Part	All audit staff	April 17	Complete - permanent files are now being set up as each audit is undertaken. Sample documentation and system, notes are already routinely placed on file to evidence the processes in place whilst undertaking sample testing.

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end April 2017
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<p>internal audit manual as stage 4 of the above and there is therefore a reliance on previously constructed testing schedules to define the scope of the audit. As the risk environment, service provision, staff in post and therefore systems change it is considered important that each audit commences with providing a documented oversight of the component parts of the system in which key controls that are to be relied upon for the purposes of providing an opinion are documented and tested using a walk through test.</p>	<p>b. The internal audit manual should specify the minimum standards requirements for file structure and content for electronic files in order to aid supervision. These may be planning and communication, systems documentation and identified procedures, fieldwork (control summaries supported by testing and evidence) and reporting. (Refers to section 9.3.3 of the internal audit manual)</p>	Y	IAC Manager	August 17	<p>Not started - The structure of the electronic files for each audit review will be developed to ensure a consistency of approach amongst the Consortium members.</p>

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
<p>DELIVERY</p> <p>Audit Opinions - Recommendations</p> <p>These are currently developed and assessed by each internal auditor, and reviewed by the Audit Manager prior to release of the draft report (sometimes subsequent to discussion of findings at an ‘exit meeting’ at which the grading of recommendations may have been discussed). This system relies on personal judgement related to ‘Priority’ for which no definition exists to articulate the meaning of High, Medium or Low.</p>	a)Audit supervisors should formally agree the grading of recommendations prior to the conduct of exit meetings.	Y	IAC Manager/ Senior Auditors	Ongoing	Complete – this is already done as a matter of routine during the file review stage.
<p>The definitions used by internal audit to support opinions therefore lack clarity and should be more closely linked with each Authority’s risk appetite and the definitions of impact risk being used to embed risk management thinking within the organisation. The basis for grading of recommendations should as a result influence the overall</p>	b)Risk definitions used by internal audit should be developed to reflect the risk appetite within each organisation, and the definitions of impact and likelihood used by the Council. These should be used by each internal auditor to grade the recommendation and discuss the level of risk to which the organisation is exposed with each auditee at the exit meeting	Y	IAC Manager	April 17	Complete - Definitions have been developed for High, Medium and Low internal audit recommendations linked to risk. This will aid in reducing subjectivity and increase consistency.

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
opinion for each audit directly, for example if a risk falling into a definition of the highest category is identified (potential for death, loss greater than £500k) then the assurance level given is reduced. Any risk of this nature should automatically trigger a negative audit opinion of 'limited assurance'.	c) Consideration should be given to removing the need to include 'low' rated recommendations in formal audit reports; alternatively reflecting on these in a side letter to the manager. This would aid the profile of internal audit through concentrating on things that really matter in relation to significant risk as defined within risk management policies.	N			This approach would lead to the risk that low priority recommendations are not even considered by managers. Managers can already disagree recommendations if they feel the risk is too low given the resource available etc. It is up to managers to set the risk appetite of the Council.
DELIVERY Audit Opinions - Overall opinions These are currently based upon the personal judgement of each auditor, within the definitions specified as relating and subject to review by the supervisor and IACM of the draft report prior to release. The overall opinion also appears to be loosely based on the aggregate number of recommendations made and not the level of risk identified. The	a) The grading of recommendations should be based upon the level of risk exposure identified within the review and reflect the highest ranked recommendation being reported upon. Best practice would reflect: - Where a fundamental risk (red) is identified that no/limited assurance is given. - Where significant risks (amber) are identified then adequate assurance is	Part	IAC Manager	April 17	Complete - Definitions have been developed for the use of High, Medium and Low when grading recommendations. This will help to ensure consistency based on levels of risk.

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
<p>current is for the opinion to reflect the reliability of the internal controls operating in the system / area reviewed was assessed as good* / satisfactory* / marginal* / unsatisfactory* / unsound*.</p> <p>Wider best practice provides for three levels of opinion being substantial, adequate or limited as this provides a clearer indication to stakeholders of the level of assurance that can be gained. This opinion can then be aligned directly with the nature of the risks being identified and the grading of those</p>	<p>given, and - Where 'merits attention' (green) risks are identified these are not referred to in the report and substantial assurance is given</p>				

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
recommendations being made.	b) Reducing the levels of opinion to three would provide a clearer indication of the assurance being provided and represent a more straight-forward approach for internal audit staff to administer.	Part	IAC Manager	April 17	Complete – The levels of opinion have been considered by the Internal Audit Consortium Manger, Client Officers and each Audit Committee and reduced to four. This will be implemented from 2017/18.
<p>DELIVERY</p> <p>Report format The Consortium currently provides a detailed report which is then summarised appropriately to inform other meetings within the Council at Officer and Member levels. It would not be appropriate to comment negatively on this approach particularly as positive feedback regarding internal audit performance can be seen in the return of satisfaction surveys</p>	The Consortium should consider whether focusing on risk as a basis for reporting would allow movement towards an ‘executive summary’ approach which highlights only significant risks. This may help further build the profile of internal audit and allow greater efficiency within the team through reducing the time consumed in report production and clearance.	N			<p>Managers have not liked this approach in the past as reports were seen as focusing purely on the negative.</p> <p>Current feedback from customer satisfaction surveys on the current reporting style is positive.</p> <p>Where a marginal or worse conclusion is reached the main issues / risks will be summarised in a paragraph under the conclusion. The majority of reports are already short.</p>

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
<p>during 2016/17 and was gained in meetings with officers as part of the EQA.</p> <p>However, internal audit reports are 'lengthy' and in developing an increasingly risk based approach consideration could be given to moving to an exceptions based executive summary highlighting significant risks.</p>					
<p>DELIVERY</p> <p>Auditee feedback At the time of the review feedback questionnaires had been received in respect of 24 audits undertaken during 2016/17, all received scores in excess of 80% with the only areas showing as requiring improvement relating to:-</p> <ul style="list-style-type: none"> - Were recommendations practical and useful, and - Sufficient to remedy weaknesses identified in the report 	<p>The IACM should continue to monitor feedback as it moves towards an increasingly risk focused so that as changes are made to internal audit practices; these can be aligned with improvements in the way internal audit value is perceived.</p>	Y	IAC Manager	March 18	<p>On-going - All customer satisfaction surveys are reviewed with a view to taking on board any learning points.</p> <p>Surveys are also used as a discussion point with Auditors at EPD's and 1:1's</p> <p>As the Consortium further develops risk based auditing the customer satisfaction survey will be reviewed to ensure that it is still collecting relevant feedback.</p>

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
<p>DELIVERY</p> <p>Annual Report The IACM produces an Annual Audit report which summarises the years' work and includes analysis of performance. The opinion reflects <i>'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'</i>. The form required by the PSIAS requires a wider statement which <i>'must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board'</i>.</p>	<p>In alignment with recommendations made earlier the internal audit plan should be constructed so that the IACM is able to provide a wider assurance to each Authority in support of the governance statement.</p> <p>Best practice is that the Annual Report should also contain reference to all significant risks and therefore co-ordination with and an understanding of issues being raised the range of assurances available is essential in order to meet this broader scope.</p> <p>In this way the Annual report can be used to support the Council's Governance Statement.</p>	Y	IAC Manager	2016/17 audit opinion	<p>In progress – the 2016/17 internal audit opinion is in the process of being drafted. The internal audit work during the year is used as the basis upon which to formulate the annual audit opinion. The audit plan is risk based and devised to cover a broad range of the Council's activities and functions. This enables the IAC Manager to produce an opinion on the control environment as a whole.</p> <p>However, the annual internal audit opinion will be developed to take in to account other significant risks that may not have been covered by the audit plan in a particular year. The Annual Governance Statement and strategic risk register will be utilised to do this.</p>

Issue Identified	Recommended Action – Red, Amber Green	Agreed	To be Implemented By:		Progress as at end April 2017
			Officer	Date	
<p>DELIVERY</p> <p>Reports produced by the IACM It is considered good practice that the IACM is involved in conducting assignments particularly in relation to high risk areas but in such circumstances appropriate arrangements should be made for 'supervision' and clearance of reports.</p>	In circumstances where the IACM undertakes a review personally arrangements should be made for a second person review of the file.	Y	Senior Auditors	Immediate	Complete – A senior Auditor now reviews any audits undertaken by the IACM
<p>DELIVERY</p> <p>Derbyshire Dales DC Whilst it is recognised that arrangements for this Council are outside of the core Consortium arrangements. It would be beneficial for the established internal audit processes contained within the Internal Audit Manual to be applied as this will aid consistency of approach, training and supervision.</p>	<p>Standardised procedures should be implemented regarding:</p> <ul style="list-style-type: none"> - The use of Audit Briefs, - Working paper review, and - The approach to IT audit 	Y	IAC Manager and Senior Auditor	Immediate	Complete – standardised procedures are in use

Bolsover District Council

Audit Committee

16th May 2017

Annual Governance Statement 2016/17

Report of the Executive Director Operations

This report is public

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 2016/17.
- To increase awareness of Governance Issues amongst Members and Employees of the Council and more generally amongst all stakeholders.

1 Report Details

1.1 As part of its Statement of Accounts the Council is required to include an Annual Governance Statement. Preparation of the Statement needs to be undertaken in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) framework which sets out the fundamental principle of corporate governance that need to be addressed. This guidance was revised and reissued in 2016 and this is the first year for which the revised guidance applies. The CIPFA / SOLACE Framework sets out the following core principles which Authorities should follow:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder agreement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity's capacity including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

One of the main 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. As part of this process the Audit Committee will also be requested to give consideration to the Council's revised Code of Corporate Governance which is attached as Appendix 2.

- 1.2 A key principle for CIPFA/SOLACE is that the Annual Governance Statement together with the Code of Corporate Governance are corporate documents, which must be owned by the whole organisation. 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 future meeting of the Council.
- 1.3 Perhaps the main change in the 2016 Guidance is the increased emphasis on the culture and ethos which underlie the policy and procedures at each individual authority. Some key principles which are set out in the Code are as follows:
 - The key focus of the governance structures should be the attainment of sustainable economic, societal and environmental outcomes.
 - Local authorities must focus on the long term having responsibilities to more than their current electors as they must take into account the impact of current decisions and actions on future generations.
 - Local Authorities should assess their Governance structures and partnerships on at least an annual basis reporting publicly on compliance
- 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, Improvement, Scrutiny, Internal Audit 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 Cabinet. 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 effectively 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. All such changes together with the audited account will be brought back to the July meeting of this Committee.
- 1.6 The preparation of the draft Annual Governance Statement takes place at the same time as the review of the Council's local Code of Corporate Governance. The revised Code of Corporate Governance is attached as Appendix 2 to this report for consideration by the Audit Committee. Included as an Appendix within the Code of Corporate Governance is an assessment of the arrangements which were operational within the Council during the 2016/17 financial year. That

Appendix is extracted for the CIPFA / SOLACE framework and provides a benchmark against which to assess the policies, procedures and behaviours which are in place at the Council. That review supports the assessment that the Council is operating in line with good practice and that the areas where improvement is required are those identified by the work of Internal Audit. Officers are of the view that this works serves to satisfy the requirement that a comprehensive assessment of the Council's governance arrangements be undertaken and 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 demonstrates that appropriate procedures and processes are in place, it should be noted that there remain a small number of issues of Corporate Governance where further work is necessary if we are to continue to comply with the good governance requirement. 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 will be addressed by way of the Key Issues of Financial Governance report which is a standing item on the agenda of the Audit Committee. Other areas of underperformance will be addressed by way of the Performance Management framework.

- 1.8. The main area for concern that has been identified relates to the number of Internal Audit reports which have resulted in a marginal assessment concerning the system of internal control. In respect of the previous year (2015/16) three internal audit reports resulted in an outcome of marginal. In respect of 2016/17 there have been four areas assessed as marginal, with one assessed as unsatisfactory. The unsatisfactory report was in respect of Transport Administration where a potential incident of fraud has been reported to the Police. Appropriate action will be taken as a matter of urgency to address identified weaknesses in systems and procedures, however, it should be noted that management highlighted the areas of concern to the internal audit team. In respect of those areas receiving a marginal assessment two warrant particular concern. The first of these is that in respect of Health and Safety which has again been judged to be marginal in terms of internal control. Whilst the Audit work was positive about the improvement which had been achieved there remain some areas of concern where further progress is required. In addition the system of Internal Control in respect of Taxi Licensing was viewed as marginal. In both these areas an Action Plan is in place to address areas of concern, with additional funding having been identified for appropriate external support. Internal Audit on behalf of management will again undertake an independent review of the position and progress in respect of all three areas during the course of the current financial year (2017/18). The other three areas which have been assessed as marginal concerned Section 106 payments and Use of Social Media. While the continued trend of a high level of marginal reports needs addressing the assessment of the system of internal control also needs to put this outcome into perspective. Audit Committee will recall that a 'marginal' is a middle ranking assessment where "a number of areas have been identified for improvement". It is, however, appropriate that the Council seeks to maintain high standards viewing a 'marginal', rather than an 'unsatisfactory' or 'unsound' assessment as the point at which corporate action is appropriate. In part the increased number of 'marginal' audit reports may reflect the improved targeting of Internal Audit work, together with the greater coverage enabled by undertaking

joint work across the two authorities within the Strategic Alliance. It should be noted that the Council continues to receive positive assessments in respect of the audits of its main financial systems which are arguably where the greatest level of risk lies.

- 1.9 In addition to the assessment contained within the Code of Governance given in Appendix 2, there is at Appendix 3 a further benchmarking exercise between the CIPFA / SOLACE Code and the draft Annual Governance Statement. The results of this benchmarking confirm the assessment that the Council meets the requirements in respect of the Annual Governance Statement.
- 1.10 Finally, **Appendix 4** is the draft memo from this Committee (to be signed by the Chair) the Chief Financial Officer and 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 (page 12 to 14). In particular the increased number of marginal / unsatisfactory audit reports continues to be a matter of concern which the Council needs to address. The Committee may wish to note that 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 2016/17 financial year.”

Reasons for Recommendation

- 2.3 To enable the Audit Committee to assess the appropriateness of the draft Annual Governance Statement and to make recommendations concerning any amendments which they consider appropriate.

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 A requirement of the Accounts and Audit Regulations is that the Council publish 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 arising from this report.

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 supporting documentation 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 to 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 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 together with the Local Code of Corporate Governance 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 version being incorporated within the Council’s Statement of Accounts.
- 6.2. That the Audit Committee approve the local Code of Corporate Governance as set out in Appendix 2.
- 6.3. 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.
- 6.4. That the Audit Committee recommend that a future meeting of Council be provided with a briefing concerning the Annual Governance Statement and the local Code of Corporate Governance.

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 all of the Corporate Plan priorities.

8 Document Information

Appendix No	Title
1	Draft Annual Governance Statement 2016/2017
2	Code of Corporate Governance (May 2017)
3	Assurance Schedule – Based upon CIPFA / SOLACE Guidance.
4	Memorandum to the Signatories of the Annual Governance Statement.
<p>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 (BDC) or Executive (BDC) you must provide copies of the background papers)</p>	
<p>KPMG “Annual Audit Letter” Audit Committee Meeting 21 November 2016 KPMG “Report to those Charged with Governance (ISA 260) 2015/16” Audit Committee Meeting 21 September 2016 “Internal Audit Consortium Annual Report 2016/17” Audit Committee Meeting 16 May 2017</p>	
Report Author	Contact Number
Executive Director – Operations	2431

ANNUAL GOVERNANCE STATEMENT 2016/17

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 publication “Delivering Good Governance in Local Government: Framework” (2016). 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 2016, 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 2017 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. The Council complies with the Transparency Agenda and Freedom of Information obligations, with an appropriately qualified and experienced Data Protection Officer in post. 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, which is achieved primarily by way of the preparation of this Annual Governance Statement. 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 2016. The Council is fully compliant with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). 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 Internal Audit Consortium Manager. 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. During the 2016/17 financial year the Internal Audit service was subject to formal external review which concluded that it was operating in line with appropriate professional standards. 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 Consortium Manager 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 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 2016/17 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 D2N2 Local Enterprise Partnership of which we are a full Member and in Sheffield City Region Combined Authority of which we are a non constituent member. 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 2015/16 Accounts. This letter which was reported to the Council meeting on 30th November 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 31 audits undertaken during 2016/17 four resulted in internal control arrangements being assessed as marginal (a number of areas identified for improvement), with one identified as unsatisfactory (Unacceptable risks identified). Appropriate steps have been taken to address the weaknesses identified by Internal Audit.

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 2016/17 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 over the last decade the underlying financial pressures on local authorities have increased significantly as the level of Central Government funding has been reduced. Over previous financial years Bolsover District Council has been required to secure significant ongoing savings in its revenue budget. In addition to what has previously been achieved further estimated savings of £1.8m are required between 2017/18 and 2020/21. 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. In addition there are a range of issues external to the Council including legislative change together with the impact of the referendum vote to leave the European Union which create uncertainties and may impact at some future stage upon the Council. 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 £1.8m over the next four 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.	The Council is currently developing a programme of work to agree measures to deliver the efficiency gains necessary to operate within its underlying level of resources. The achievement of these efficiencies is monitored on a regular basis by Executive. While appropriate steps are being 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 needs to give careful consideration to the impact of such measures on services to local residents.
A report in respect of Transport Administration was assessed as unsatisfactory. The main issues concerned system weaknesses which have allowed a misappropriation of Council funds.	The misappropriation of funds has been reported by the Council to the Police. Officers are now in the process of addressing the Internal Audit recommendations and are of the view that appropriate changes have been made to minimise risk.
Reports in respect of the administration of both Licensing and a Health and Safety concluded that arrangements were marginal. Both the services concerned are joint arrangements operating across Bolsover and North East Derbyshire District Council.	In both areas a comprehensive management review has been undertaken leading to the development of an Action Plan which is currently in the process of being implemented. The Action Plans incorporate external support in order to secure improvement in a timely fashion. With respect to Licensing a reinstallation the current software to facilitate improved access to management information is taking place.
The other two marginal Internal Audit reports concerned Social Media and S106 agreements.	In both areas management is in the process of implementing the Internal Audit recommendations. The implementation of the actions required will be monitored through the Council's Performance Management framework.

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:

BOLSOVER DISTRICT COUNCIL

LOCAL CODE OF CORPORATE GOVERNANCE

May 2017

EXECUTIVE SUMMARY

Governance comprises systems and processes for the direction and control of local authorities through which they account to, engage with, and lead their communities. In other words, it is about how local authorities ensure that they are doing the right things, in the right way, for local people in a timely, inclusive, open, honest and accountable manner.

This Local Code of Corporate Governance has been developed to ensure that Bolsover District Council has, and will continue to have, exemplary standards of governance which comply with best practice.

The first part of this document sets out the background to the Code following the publication of the revised Delivering Good Governance Framework issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Council Chief Executives and Senior Managers (SOLACE) in 2016 which replaced the previous guidance of 2012.

The CIPFA/SOLACE Framework (2016) identified seven principles of good corporate governance:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder agreement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity's capacity including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

A key theme in the 2016 framework is that robust governance arrangements are a key factor in maintaining the reputation of both individual local Council's and of the wider reputation of local government as a sector. In short local government needs to ensure that it meets the highest standards and those governance arrangements are not only sound but are seen to be sound.

In the Appendix to this document, the Council's progress against each of these principles and their supporting framework is considered and assessed. This assessment helps inform the evaluation of the Council's Governance as set out within the Annual Governance Statement.

Progress against the principles set out in this Code will be monitored and reviewed on an on-going basis, with a formal report brought before Members at least annually as an integral part of the process of preparing the Annual Governance Statement.

INTRODUCTION

1 Background

- 1.1 In 2001, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Council Chief Executives and Senior Managers (SOLACE), together with the support of a number of other key organisations, formed a working party with the aim of drawing together the key principles of corporate governance into a single framework for use in local government.
- 1.2 This followed the work by Lord Cadbury into good governance and Lord Nolan into standards in public life, as well as primary legislation, and culminated in the publication of a governance framework entitled *Corporate Governance in Local Government: A Keystone for Community Governance*.
- 1.3 This Framework recommended that local authorities review their existing governance arrangements against a number of key principles and report annually on their effectiveness in practice. Through the adoption and development of the Framework, authorities were encouraged to meet the standards of the best.
- 1.4 Since the Framework was published, local government has undergone a number of changes designed to improve local accountability and engagement in local government. This has included on-going changes to democratic structures and the ethical framework.
- 1.5 To meet these challenges, the CIPFA and SOLACE Working Party was reformed and the original Framework was revised in 2012. The revised Framework built upon the governance work in both the public and private sectors and, in particular, the principles set out in *Delivering Good Governance in Local Government* publication. The original revisions were then refreshed and updated in the CIPFA / SOLACE publication “Delivering Good Governance in Local Government – Framework” (2016)
- 1.6 In order to achieve good governance, the Framework requires that each local authority should be able to demonstrate that they are complying with the principles contained within the Framework. This should be done through the development and maintenance of a local code of corporate governance.
- 1.7 This document has been developed to ensure that Bolsover District Council has, and continues to have, exemplary standards of governance which comply with the principles set out in the CIPFA/SOLACE Framework.

2 What Do We Mean By Governance?

- 2.1 The Council has adopted the CIPFA/SOLACE Framework’s approach to corporate governance which is as follows:

“The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.”

“The Framework position the attainment of sustainable economic, societal, and environmental outcomes as a key focus of the governance processes and structures. Outcomes give the role of local government its meaning and importance.....Local authorities have responsibilities to more than their current electors as they must take account of the impact of current decisions and actions on future generations.”

- 2.2 Good governance leads to good management, good performance, proper stewardship of public money, effective public engagement and, ultimately, good outcomes for residents and service users. Good governance enables councils to pursue their vision effectively as well as underpinning that vision with mechanisms for control and management of risk.
- 2.3. One of the main themes of the 2016 arrangements is the increased emphasis on the fact that the Code of Governance and governance arrangements are locally determined. There is also a much greater emphasis on the shared values and the ethos which underpins the governance arrangements, rather than upon the policies and procedures which are the expressions of these values.

3 The Seven Principles

- 3.1 The CIPFA/SOLACE Framework (2016) defined seven core principles of good governance. These involve:
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
 - B. Ensuring openness and comprehensive stakeholder agreement.
 - C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
 - D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
 - E. Developing the entity’s capacity including the capability of its leadership and the individuals within it.
 - F. Managing risks and performance through robust internal control and strong public financial management.
 - G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

It should be noted that Principles A and B permeate the implementation of Principles C to G.

- 3.2 Bolsover District Council is committed to these seven principles of good governance. This Code sets out how the Council complies with the seven principles to ensure good standards of governance.

4 Monitoring and Review

4.1 Authorities are required to test their governance structures and partnership arrangements against the principles contained in the Framework by:

- Reviewing existing governance arrangements
- Agreeing and keeping up to date the local code of governance, to incorporate measures that will ensure the maintenance of effectiveness
- On an annual basis to report publicly on compliance with their own code, detailing how they have monitored the effectiveness of their governance arrangements in the year together with any changes that are planned to ensure effective ongoing operation.

4.2 In accordance with the Code the Council will undertake an annual review of its governance arrangements to ensure that they are adequate and operating effectively in accordance with best practice. Where gaps are identified, action will be planned and undertaken to ensure improvement in future governance arrangements. The findings of this annual review will be presented to the Council's Audit and Governance Committee. The outcome of this review will inform and underpin the Council's Annual Governance Statement. The publication of the Annual Governance Statement meets the obligation set out within the Accounts and Regulations 2015 requiring the Council to publish alongside its accounts an Annual Governance Statement.

This Annual Governance Statement will include:

- (i) Identified Councillors and key officers who have responsibility for ensuring that there is good governance including internal control mechanisms;
- (ii) The systems and processes in place to provide good governance and how these are checked and tested;
- (iii) The key elements of the corporate governance arrangements;
- (iv) The process for maintaining and reviewing the effectiveness of governance arrangements;
- (v) Actions taken or actions planned to address significant governance issues;
- (vi) A clear summary of the resources needed to support the corporate governance arrangements.

4.3. The outcome of the Annual Review undertaken as at May 2017 in respect of the 2016/7 financial year is set out in Appendix 1 to this Code. The criteria set out in the Appendix were taken from "Delivering Good Governance in Local Government : Framework (2016 Edition)". The Appendix extracts from the guidance a set of tables which set out the key elements of good governance policies and procedures and behaviours. Arrangements at the Council have been benchmarked against these standards. While a limited number of areas have been identified as requiring improvement (generally identified through the work of internal audit) it would seem reasonable to conclude that the Council's

arrangements are robust. Those issues which have been identified will be addressed either through the Council's Performance Management arrangements, or by way of the Key Issues of Financial Governance report to the Audit Committee.

Having been first considered by the Audit and Governance Committee this Code of Corporate Governance has been signed on behalf of the Council by the Leader of the Council and the Chief Executive.

Councillor Ann Syrett
Leader of the Council

Dan Swaine
Chief Executive

Date: May 2017

HOW THE COUNCIL MEETS THE SEVEN PRINCIPLES

The tables given below are again extracted from the CIPFA / SOLACE publication “Delivering Good Governance in Local Government: Framework (2016 Edition), together with additional material provided in the associated guidance manual. The first column of the table sets out the requirements as stated in the Framework. The second column sets out the position at BDC and provides a summary of the evidence that supports the general overview position which is that the arrangements currently operating at BDC are fit for purpose. Within the guidance notes details are provided of the type of evidence that is considered necessary in order to demonstrate that appropriate arrangements are in place, and consideration has been given as to whether the arrangements at BDC are consistent with those outlined in the guidance.

PRINCIPLES OF GOOD GOVERNANCE IN LOCAL GOVERNMENT

6.4 The core principles and sub-principles of good governance set out in the table below are taken from the International Framework. In turn they have been interpreted for a local government context.

Core principles (shown in bold)

Acting in the public interest requires a commitment to and effective arrangements for:

Sub-principles (shown in bold)

Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Demonstrating strong commitment to ethical values

Behaving with Integrity

Position at BDC

Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation

The Constitution, the Member and Officer Code of Conduct, the Whistleblowing, Anti-Fraud Strategy, etc all work together to provide an organisational and operational framework, which sets out clear expectations and standards regarding what constitutes acceptable behaviour. The Council’s Constitution together with its values clearly establishes an overriding requirement that our

	<p>actions are characterised by openness and accountability.</p> <p>While there is good awareness of the Code of Conduct it is not considered necessary that individuals sign off that they are compliant with the Code. Inductions cover the standards of behaviour expected.</p> <p>Performance Appraisals are an established routine part of the Council's Performance Management systems.</p>
<p>Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)</p>	<p>See above. The Council has an active Standards and Audit Committee, Council meetings, Scrutiny and Member development Programme all of which help ensure effective engagement with the values of the Council. Arrangements at Member level are mirrored at Officer level with Codes of Conduct, training and Members and senior officers establishing the tone and standards of the organisation. These standards are expected to apply and are monitored when working with the community and partners.</p>
<p>Leading by example and using the above standard operating principles or values as a framework for decision making and other actions</p>	<p>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 Cabinet reports the quality assurance process is the Chief Executive, Directors and Monitoring Officer, while for Delegated Decisions the originating officer and the responsible Director, the CFO and the Monitoring Officer need to ensure that the decision has been appropriately taken, that appropriate advice has been incorporated and consultation undertaken. All decision-making committees are appropriately minuted setting out the criteria, rationale and considerations on which decisions are based. Where appropriate Delegated Decisions are formally recorded and published.</p> <p>All meetings include a formal requirement to declare at the outset any interests and to leave the meeting whilst items involving a potential conflict of interest are considered.</p> <p>The Corporate Plan which was the subject of significant levels of Consultation / Participation provides shared values which guide decision making. All Cttee reports are referenced against Corporate Plan priorities. The Council has an active Standards Cttee which meets on a quarterly basis.</p>

<p>Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</p>	<p>The Council has Anti Fraud and Corruption Policies with the principle of ‘zero tolerance’ being adhered to where fraud is identified. The Council maintains up to date registers of interests, gifts and hospitality in respect of both Members and Employees. Whistleblowing policies are in place and actively promoted covering both Members / Employees / third parties. A complaints policy / procedure is in place which records action in respect of both service issues and behaviour. Where appropriate complaints are used to drive service improvement. Codes of Conduct require interests to be declared and these are recorded in Cttee minutes.</p>
<p>Demonstrating Strong Commitment to ethical values.</p>	
<p>Seeking to establish, monitor and maintain the organisation’s ethical standards and performance.</p>	<p>This is covered by the remit of the Standards Committee. The Council has a strong ‘ethos’ of ethical standards which should help ensure effective ethical compliance at governing body level.</p>
<p>Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation’s culture and operation.</p>	<p>See above. Expectations regarding behaviour and values are made clear in Cttee reports and meetings.</p>
<p>Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values</p>	<p>The Employee appraisal considers behavioural issues, whilst person specification includes consideration of ‘behaviour’ as well as ‘technical’ qualification.</p>
<p>Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation</p>	<p>The Council has a Procurement Strategy which requires that our ethical standards are applied to the procurement of goods and services from third parties. This approach is secured through appropriate clauses within our contracts. One of the criteria that is 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. The Council has appropriate staffing and procedures to manage these arrangements effectively.</p>

Respecting the rule of law	
Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations	The culture of the Council is based upon a commitment to operating within the context of the prevailing statutory and regulatory framework. This is set out within the Constitution. All reports contain a section detailing legal implications, the monitoring officer is a qualified lawyer, all officers are appropriately selected and trained to undermine their duties in line with the legal and best practice framework.
Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	See above
Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	The Council is an outward looking organisation aware of the opportunities open to it with a challenging Corporate Plan to deliver. Agreement to objectives, projects, plans and targets is reached with the context of a developed understanding of the legal and best practice framework.
Dealing with breaches of legal and regulatory provisions effectively	The Council has appropriately qualified statutory officers in place supported by suitably qualified and experienced officers. Where necessary external advice is sought. The Council seeks to operate a 'no blame' culture where disclosure of potential error is encouraged.
Ensuring corruption and misuse of power are dealt with effectively	The Council has a range of policies in place which promote positive behaviour whilst also ensure that effective sanctions are available to deal with breach effectively. Where necessary the Council will refer issues to external agencies such as the Police / DWP.

B. Ensuring openness and comprehensive stakeholder engagement. Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Openness

Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.	The authority works to minimise the number of decisions taken in private session, complies fully with the Transparency Agenda and provides comprehensive information on
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	the website.
Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided	See above. In addition reports to Committee are comprehensive and the Council seeks to provide robust information on which to base every decision.
Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear	See above. All reports are based upon a pro forma document which covers a range of issues including legal, finance, risk, equalities, HR, Data Protection. All reports are agreed by the three statutory officers to help ensure professional standards are maintained.
Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action	The Council has a range of mechanisms for consultation which are set out in our Consultation Policy. Forums for engaging citizens include Public Meetings, Tenants Forums, reviewing individual complaints etc. The Council actively encourages engagement by members of the Community in through the website, by the Engagement Plan and the Single Equalities Scheme.

Engaging comprehensively with institutional stakeholders NB institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable.

Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably	The Council has a Communications Strategy in place utilising the website, "In Touch" Civic newspaper, and encouraging other media coverage.
Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	The Council has a place a well resourced Partnership Team with a robust local network of organisations which helps co-ordinate a range of interventions across the District.
Ensuring that partnerships are based on: – trust – a shared commitment to change – a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit	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.

Engaging with individual citizens and service users effectively

<p>Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcome</p>	<p>The Council has well established Communications and Consultation strategies, with all reports detailing the Consultation that has been undertaken. In addition to structured consultations the Council gives careful consideration to complaints and other feedback to understand whether there are emerging trends which need to be addressed.</p>
<p>Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement</p>	<p>See above.</p>
<p>Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs</p>	<p>The Council has in place a wide range of engagement mechanisms including public meetings, Scrutiny Reviews, web based consultation and engaging with difficult to reach groups including young people. These are supported by targeted surveys, questionnaires and focus groups. The Council has in place appropriate policies in respect of Equality and Diversity to help ensure that it adheres to good practice in this area.</p>
<p>Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account</p>	<p>The outcome of consultation exercises is reported appropriately to Members to ensure that consultation informs service delivery and the decision making process.</p>
<p>Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity</p>	<p>The Council’s Communication and Engagement Strategy are delivered by experienced Officers who work to ensure a balanced and inclusive approach.</p>
<p>Taking account of the impact of decisions on future generations of tax payers and service user</p>	<p>All decisions are reached on the basis of detailed reports which take into account both service delivery issues together with the financial implications of any new initiatives.</p>

In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for: Behaviours and actions that demonstrate good governance in practice are illustrated in the bullet points.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority

and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available

Defining Outcomes	Position at BDC
Having a clear vision, which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation’s overall strategy, planning and other decisions.	The Council has a Corporate Plan in place covering the period 2015-19 which sets out the key objective and priorities. Progress in delivering the Plan is managed through the Performance Management Framework, with outcomes reported in the Annual Report.
Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	These are set out in the Corporate and in the individual Service plans. Where appropriate new initiatives are detailed within Committee reports.
Delivering defined outcomes on a sustainable basis within the resources that will be available	See above.
Identifying and managing risks to the achievement of outcomes	The Council has a robust Risk Management Framework in place with covers both Strategic and Service risks and is linked to the Performance Framework. The format of Committee reports ensure that issues of Risk are integral to the decision making process.
Managing service users’ expectations effectively with regard to determining priorities and making the best use of the resources available	The Council sets out clear standards within its Service Plan which takes customer expectations into account alongside the availability of resources.

Sustainable economic, social and environmental benefits

Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision	The Council has a balanced approach to considering financial and service delivery issues when planning new initiatives. While the position re financial resources is challenging the Council takes an Invest to Save approach in respect of its major investments.
Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraint	Investment and other decisions are taken on the basis of robust reports which cover service delivery, environmental factors, impact on local community and workforce and risk.
Determining the wider public interest associated with balancing conflicting interests between achieving the various	See above

economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	
Ensuring fair access to services	The Council has a firm commitment to equality of access, with the commitment being set out in a range of formal policies.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

Determining Interventions	Position at BDC
Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided	Comprehensive reports are provided setting out both recommended options, together with those options which have been considered and rejected. Risk analysis seeks to mitigate against failure to achieve agreed objectives.
Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impact	The Council has appropriate Consultation and Complaints mechanism, etc to help ensure that it remains aware of evolving priorities amongst local residents. These inform the Corporate Plan, Service Plans and the Council's Medium Term Financial Plan.

Planning Interventions

Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	The Council's Performance Management Framework establishes key timescales which reflect statutory and best practice requirements where appropriate.
Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	Communication and Consultation Strategies (see above)
Considering and monitoring risks facing each partner when working collaboratively,	Partnership and Risk arrangements are reviewed on a regular basis within the

including shared risks	Service, Strategic and Partnership Risk Registers.
Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances	The Performance Management framework ensures services are operated within the context of regular review, so that adaptation can be made to evolving circumstances.
Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured	These are set out in Corporate and Service Plans and monitored through the Performance Management Framework.
Ensuring capacity exists to generate the information required to review service quality regularly	The Council has appropriate staffing structures in place and has maintained the quality of reporting and Performance management.
Preparing budgets in accordance with objectives, strategies and the medium term financial plan	The MTFP is linked to the Corporate and Service Plans to ensure that service budgets are adequate to deliver agreed service levels.
Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	The Council's MTFP operates on the basis of a 4 year planning period which ensures that the Council is making decisions based upon the longer term available of funding.

Optimising achievement of intended outcomes

Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	THE MTFP and the Service Planning process are effectively integrated helping facilitate joined up service and resource planning.
Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	See above. Also the Council has appropriately qualified and experienced officers in both service and finance functions which helps ensure that decisions are taken on the grounds of robust information.
Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	See above
Ensuring the achievement of 'social value' through service planning and commissioning	Service Plans and the Procurement Strategy both give appropriate weight to social value

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset,

to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Developing the entity's capacity	Position at BDC
Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness	The Council refreshes its Corporate and Service Plans together with the Performance Framework on an annual basis. The Council has an up to date Asset Management Plan in place which informs the Capital Programme.
Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently	The Council has continued to secure efficiency savings in its services in order to offset the ongoing reduction in the level of Government Grant. Efficiency savings are targeted from those services which have a relatively high cost base.
Recognising the benefits of partnerships and collaborative working where added value can be achieved	The Council actively enters into and participates in partnerships where these secure cost efficiencies or protect the quality of services eg the Strategic Alliance.
Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	The Council has a Staffing Establishment which is reviewed on a regular basis. The Pay Policy, Learning and Development Plan and related strategies ensure that the workforce is effectively managed as part of the strategic allocation of resources. While the Council is unlikely to continue participation in the IIP Accreditation system it was assessed as operating at a silver level at inspection in the autumn of 2015.
Developing the capability of the entity's leadership and other individuals	
Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained	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. Roles and Responsibilities are defined in the Council's Constitution and in Job Descriptions.
Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	This is set out in the Council's Constitution which reflects recognised good practice.
Ensuring the leader and the chief executive have clearly defined and	Roles and Responsibilities are defined in the Council's Constitution and in Job Descriptions.

<p>distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority</p>	
<p>Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: – ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged – ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis – ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external</p>	<p>The Council is outward looking and participates in appropriate regional and national meetings / events. Locally it has effective partnership working / discussions across both public and private sector. Members and Officers attend appropriate awareness / training events. This participation ensures that the Council is up to date concerning legislative change, etc.</p> <p>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 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 the option of participating in a training needs survey which identifies individual needs and a range of corporate training/awareness/development activities are undertaken on an ongoing basis overseen by the Members Development Working Group.</p>
<p>Ensuring that there are structures in place to encourage public participation</p>	<p>The Council continues to develop its services to customers through effective consultation, communication and establishment of clear service standards. The Council's website and related printed material set out the opportunities for local people seeking to participate.</p>
<p>Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections</p>	<p>The Executive is responsible for overseeing the delivery of Council services and is held to account by the Council, by Scrutiny, by Audit and Standards Committee. Alongside internal challenge there is a wider public challenge</p>

	including the media, complaints, partner organisations.
Holding staff to account through regular performance reviews which take account of training or development needs	Employees are formally appraised supplemented by 1 to 1's which incorporates an assessment of performance and training requirements. These are developed into a corporate training plan. Members are provided with appropriate training opportunities under the direction of the Member Development Working Group.
Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	The Council has an appropriately staffed and qualified HR team, together with a range of policies to promote employee wellbeing as part of maintaining a productive workforce.

F. Managing risks and performance through robust internal control and strong public financial management Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Managing Risk

Position at BDC

Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	The Council has in place a Risk Management Strategy, supported by regular reporting, training, etc which support a culture of effective risk management including appropriate consideration of risk in decision making.
Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	The Council's arrangements cover both Strategic and Operational risk. Regular reporting to both Cabinet and Audit Committee, together with Internal Audit review are designed to ensure and demonstrate effective arrangements are in place.
Ensuring that responsibilities for managing individual risks are clearly allocated	Following a recent Internal Audit report the allocation of responsibilities for managing risks in Service Risk Plans will be strengthened.

Managing Performance	Position at BDC
Monitoring service delivery effectively including planning, specification, execution and independent post implementation review	The Council has a robust performance management system including service and financial targets which is monitored on a regular basis. Where organisational change arises service plans, performance targets and financial provision are amended accordingly. This ensures that organisational change delivers against the identified benefits.
Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	The Council has a robust reporting system which requires that all reports cover relevant issues (risk, legality etc). These are agreed by the Statutory Officers and relevant Members of the management team before progressing to Committee.
Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible	The functioning of Scrutiny is well established and operating effectively supported by a specialist independent officer. These arrangements and the effective engagement of other Members and Officers of the Council help ensure that Scrutiny's analysis and recommendation are supported by robust evidence, data and critical analysis. Where appropriate Scrutiny reports are referred to Cabinet for its consideration. All Scrutiny Committees provide an annual report to Council.
Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement	The Council's Performance Management Framework covering Performance, Finance and Risk generates formal reports on a quarterly basis, which are discussed with responsible Portfolio Members and senior managers prior to publication.
Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements)	The Council has appropriate reporting arrangements in place which are quality assured by the Audit Committee and by Internal and External Audit.

Robust internal control	Position at BDC
Aligning the risk management strategy and policies on internal control with achieving objectives	The Risk Management Strategy is supported by a risk based Internal Audit Plan and working arrangements.
Evaluating and monitoring risk management and internal control on a regular basis	The Risk Management Strategy is subject to regular update, and is reported on a quarterly basis. The Council ensures that Internal Control arrangements are

	monitored and amended in the light of changed systems or issues being highlighted. Both are subject to independent review and assurance from Internal Audit.
Ensuring effective counter fraud and anti-corruption arrangements are in place	The Council has up to date policies and arrangements in place to minimise the risk / impact of fraud. These are reviewed by Internal Audit and reported to Audit Committee on a regular basis.
Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	The Council has a well established audit team, which works to an agreed audit plan. During 2016/17 the service was independently reviewed and found to be operating well and fully compliant with professional standards. The work of the Internal Audit team is overseen by the Audit Committee.
Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment that its recommendations are listened to and acted upon	The Council has a well established Audit Committee in place, which includes a number of senior elected members. It reviews its effectiveness on an Annual basis to ensure that it is operating in line with both its remit under the Constitution and with best practice as set out in CIPFA guidance.

Managing data

Position at BDC

Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	The Council has in place robust data protection policies and arrangements including effective reporting of breaches. Appropriately trained staff are in place supported by a designated data protection officer who is a Member of the Senior Management Team.
Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	Where data is shared with other authorities it is subject to appropriate formal data sharing / processing arrangements.
Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	Data is subject to ongoing scrutiny by Elected Members and Senior Management as part of the process of reporting Performance. Independent assurance is provided by Internal Audit as part of the Audit Plan.

Strong public financial management**Position at BDC**

Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance	The Council has robust financial management arrangements covering financial planning, budget monitoring, project appraisal and financial reporting. The arrangements have ensured that the Council has continued to deliver a balanced budget and have been subject to independent review by internal audit. The Council has continued to receive a positive assessment of its Statement of Accounts from external audit.
Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	See above. The Council's financial management arrangements continue to receive positive assessments from Internal Audit, whilst financial risks are reported as part of the budget development and monitoring process.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Implementing good practice in transparency

Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.	The Council makes all reports available on the website and in paper format upon request. Officers seek to ensure that all reports are comprehensive and understandable to the reader. The Council is fully compliant with the Transparency Agenda.
Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.	The Council provides the full range of Statements and reports which are required by statute, or recognised good practice. Where further information is required this can be requested by local residents.

Implementing good practices in reporting**Position at BDC**

Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way	The Council produces Annual Accounts and an Annual Report. These supplement the range of information provided during the course of the year.
Ensuring members and senior management own the results reported	All reports are provide to full Council, to Cabinet and to the Audit Committee as

	appropriate.
Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)	The position will be reported to Audit Committee prior to the publication of the AGS. The report to Audit Committee is considered by Portfolio Members and by senior officers including Scrutiny, Governance, Performance, Finance and Internal Audit.
Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate	The Council's Performance Management Framework and governance principles are applied to all organisations with which the Council has a significant involvement or partnership working arrangements.
Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations	The Council follows best practice guidance which helps ensure that the format and information is readily comparable against that of other organisations.

Assurance and effective accountability

Position at BDC

Ensuring that recommendations for corrective action made by external audit are acted upon	These are reported to the Audit Committee, together with an Action Plan for resolving. Progress in addressing more significant recommendations will be maintained by including within the standing item on the Audit Committee Agenda the "Key Issue of Financial Governance Report".
Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon	The effectiveness of internal audit is assessed on an annual basis with the assessment being subject to the agreement of the Audit Committee. The Council is fully compliant with all aspects of the CIPFA Statement on "The Role of the Head of Internal Audit."
Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	The Council has actively supported peer review where appropriate and the outcome of all external inspection will be considered by the Council in order to address any agreed deficiencies.
Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	The Council monitors the risks on delivering services by way of third parties, including such risks within service plans and the corporate report concerned with

	<p>Risk and Partnership working. Managerial arrangements with partnerships are risk based, and with those where the risk of service disruption is minimal monitoring is of necessity 'light touch' with reliance being placed upon the partner organisations governance arrangements.</p>
<p>Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.</p>	<p>The Council only enters into partnerships where the partner organisations shares the Council's ethos and has appropriate governance arrangements in place to ensure accountability.</p>

ASSURANCE SCHEDULE: EXTRACTED FROM “DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT: FRAMEWORK “ – CHAPTER 6 - The principles of good governance – application.

This Appendix utilises extracts from key elements of the CIPFA / SOLACE document “Delivering \ Good Governance in Local Government Framework” (2016) in order to show how the council complies with the requirements of good practice and the evidence which is available to support the statements made within the Annual Governance Statement. It should be noted that the revised 2016 framework places increased emphasis on culture, values and behaviour where it is more problematic – than in the case of processes and procedures - to provide evidence that appropriate cultures and behaviours are in place. The Audit Committee therefore needs to consider both the specific processes evidenced within this document together with the issue of whether the underlying culture, values and behaviour of the Council remain in line with the standards championed by the CIPFA / SOLACE document.

Extracts from the Code itself are shown in Italics in the section below:

The annual governance statement should be focused on outcomes and value for money and relate to the authority’s vision for the area. It should provide an assessment of the effectiveness of the authority’s governance arrangements in supporting the planned outcomes – not simply a description of them. Key elements of an authority’s governance arrangements are summarised in the next section.

7.5 The annual governance statement should include:

- *an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the authority’s code of governance*

Position at BDC: This is set out within the opening paragraph to the AGS, with paragraph 3 making appropriate reference to the Code of Governance.

- *reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment, such as the authority, the executive, the audit committee, internal audit and others as appropriate*

Position at BDC: The third section of the AGS sets out “The Governance Framework” which addresses the issues identified above. This is followed by a section which undertakes a review of the effectiveness of the current arrangements.

- *an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework*

Position at BDC: Immediately following on from the section concerned with the “Review of Effectiveness” which provides approaching three pages of conclusions arising from the review the Annual Governance Statement concludes: “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 2016/17 financial year.” The AGS also highlights the areas of significant weakness which whilst requiring addressing as a matter of priority are not of such a scale as to undermine the view that the Council’s Governance Arrangements remain ‘fit for purpose’. This Appendix together with the Code of Corporate Governance provides a more detailed assessment of the manner in which the Council’s governance structures and partnership arrangements meet the principles set out within the CIPFA / SOLACE framework.

- *an agreed action plan showing actions taken, or proposed, to deal with significant governance issues*

Position at BDC: The Action Plan is set out at the end of the Annual Governance Statement. During the 2016/17 financial year the Council has addressed the issues identified within the AGS in respect of 2015/16 (agreed May 2016). The one area of remaining concern is around Health and Safety where a further review in the final months of 2016/17 resulted in systems of internal control being assessed as marginal. The review did, however, acknowledge that significant progress had been made. Officers will continue with implementing the Action Plan in respect of Health and Safety and the position will be subject to a further Internal Audit exercise during the 2017/18 financial year. The further issues that have been identified during the course of this year are set out in the Action Plan in respect of 2016/17 and these will be managed as part of the Council’s Performance Management Framework which monitors progress in addressing both the Council’s Approved Budget and in the implementation of Internal Audit recommendations. This performance monitoring / management covers all of the issues identified within the draft 2016/17 AGS which appears as Appendix 1 within this report. In addition this Audit Committee receives as a standing item a report concerned with Key Issues of Financial Governance. This report – which is subject to formal approval – tracks all of the issues raised within the AGS on a regular basis.

- *reference to how issues raised in the previous year’s annual governance statement have been resolved*

Position at BDC: See above. In addition the requirement to ensure that the Council’s budgets are balanced on an on-going basis has featured within the Council’s AGS for a number of years. While the Council continues to meet this requirement on an annual basis it does need to be recognised that given the continuation of the Government’s ‘austerity agenda’ this requirement is likely to continue to constitute a key target for all local authorities for the foreseeable future. The Council is well aware of the links between effective financial management and good quality service provision and understands that a failure to effectively manage the financial position will invariably have an adverse impact upon local residents.

- *conclusion – a commitment to monitoring implementation as part of the next annual review.*

Position at BDC: The final paragraph of the AGS provides a clear statement of commitment from the political leadership and Chief Executive both to address the issues that have been identified and to take action to ensure that further improvements in the Council's Governance arrangements are secured. These commitments will be actioned through the operation of the Council's Performance Management Framework which continues to operate in an effective manner.

- 7.6** *The annual governance statement should be signed by the leading member (or equivalent) and chief executive (or equivalent) on behalf of the authority.*

Position at BDC: The Council is fully compliant with this requirement.

- 7.7** *The annual governance statement should be approved at a meeting of the authority or delegated committee (in Scotland, the authority or a committee with a remit including audit or governance).*

Position at BDC: The Council's Constitution sets out the role of the Audit Committee in the approval of the AGS on behalf of the Council.

Local authorities are required to include the annual governance statement with their statement of accounts. As the annual governance statement provides a commentary on all aspects of the authority's performance, it is appropriate for it to be published, either in full or as a summary, in the annual report, where one is published. It is important that it is kept up to date at time of publication.

Position at BDC: The AGS is published along with the Statement of Accounts, but in previous years has not been included within the Annual Report. It is planned that in respect of 2016/17 reference to the AGS together with a summary of and link to the Code of Governance will be included within the Annual Report so that stakeholders are aware of these core documents.

Key elements of the structures and processes that comprise an authority's governance arrangements are summarised below. They do not need to be described in detail in the annual governance statement if they are already easily accessible by the public, for example through the authority's code of governance.

Developing codes of conduct which define standards of behaviour for members and staff, and policies dealing with whistle blowing and conflicts of interest and that these codes and policies are communicated effectively.

Position at BDC: The Council has both a Member and an Employee Code of Conduct. These are supported by a range of other policies / procedures which reflect best practice across the local government sector.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

Position at BDC: The Council has a qualified lawyer supported by an appropriately qualified legal team who undertakes the role of monitoring officer. All other Officers are

appropriately qualified, trained and experienced to undertake their role and responsibilities in line with current legislation and recognised good practice. The Council has a formal appraisal process in place, supported by a training plan and appropriate funding to ensure that all officers retain / refresh the necessary levels of expertise in order to discharge their responsibilities effectively. All reports / new initiatives are subject to formal consideration by Council / Cabinet as appropriate and prior to being considered by Members they are reviewed by the Council's three statutory officers (Head of Paid Service, Monitoring Officer, Chief Financial Officer).

Documenting a commitment to openness and acting in the public interest.

Position at BDC: This is set out within the Council's Constitution:

"The job of a Councillor is to represent you even if you did not vote for them.....Councillors have a Code of Conduct to make sure they follow high standards in the way they carry out their role. There is a Standards Committee which trains, advises and deals with complaints against Councillors alleging that they have breached the Code of Conduct.

Article 1 of the Constitution sets out the following core principles

"(a) Mission.

The Council will seek to make a difference by building thriving communities through partnership, community leadership and excellent service delivery.

(b) Values

The Council will follow these values:-

- (i) We are honest, open and accountable.
- (ii) We value people's differences and we will treat everybody fairly and with respect.
- (iii) We listen, involve and respond to all our communities.
- (iv) We always look for new and better ways of working to improve quality and value.

The position as set out within the Constitution is supported by the Code of Corporate Governance which 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.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

Position at BDC: The Council actively encourages consultation with the local community by way of information / opportunities to comment on the website, through the Citizens Panel, Disabled People's Joint Consultative Group, Postal and On line surveys, access to local Councillors and holding all meetings in public session. The Council has a formal Consultation Policy along with an Engagement Plan which includes a structured plan

concerning how the Council will ensure effective engagement with residents, customers and businesses regarding our services and functions.

Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.

Position at BDC: These are set out within the Council's Corporate Plan which covers the period 2015/19. This Plan is on the Council's website and is linked to a range of service plans and the Council's Performance Management Framework to help ensure that the agreed strategic direction informs the Council's actions and in particular its service delivery.

Translating the vision into courses of action for the authority, its partnerships and collaborations.

See above.

Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.

Position at BDC: The Council conducts an ongoing review of its Constitution to ensure that it remains fit for purpose and in line with evolving best practice across the local government sector.

Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.

Position at BDC: The Council has a robust Performance Management Framework which helps ensure that the Council's Service Plans and delivery are linked into the Council's wider strategic objectives, whilst delivering services that meet our statutory obligations and the expectations of our residents.

Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.

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. The Constitution which reflects best practice incorporates a scheme of delegation, and sets out the roles, powers and limits upon the power of individual officers and Members.

Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) or CIPFA Statement on the Role of the Chief Financial Officer of the Police and Crime Commissioner and the Chief Financial Officer of the Chief Constable

(2014) as appropriate and, where they do not, explain why and how they deliver the same impact.

Position at BDC: The Council is fully compliant with the requirements on the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) with a professionally qualified CFO reporting directly to the Chief Executive, who is a full member of the Corporate Management Team and is supported by appropriately qualified and experienced staff.

Ensuring effective arrangements are in place for the discharge of the monitoring officer function.

Position at BDC: The Monitoring Officer is a fully qualified solicitor, reports directly to the Chief Executive, is a full member of the Corporate Management Team and is supported by appropriately qualified and experienced staff.

Ensuring effective arrangements are in place for the discharge of the head of paid service function.

Position at BDC: The Head of Paid Service is an appropriately qualified and experienced officer appointed as a result of a competitive selection process.

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

Position at BDC: There is an induction process for both newly Elected Members and for officer appointments. The Council has a structured Member Development Programme with a Member Development Working Group which meets on a regular basis. All officers are subject to a structured appraisal process which identifies training and development requirements, which where necessary to effectively undertake their role are funded by the Council. Professionally Qualified officers are required / supported to actively participate in the CPD arrangements of their professional body.

Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.

Position at BDC: The Council has in place a well established Performance Management Framework which incorporates Performance, Finance and Risk. This results in formal reports on a quarterly basis to Cabinet and to Audit Committee which are used to report on and address any issues of concern. These are open reports available on the website. Independent review is provided by Internal Audit, with the Annual Governance Statement providing a comprehensive evaluation.

Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

Position at BDC: The Council has in place an Anti Fraud and Corruption Policy updated on a regular basis which has a core principle of Zero tolerance of fraud. The

Audit Committee receives regular updates concerning fraud including an annual report from the Head of Internal Audit which assesses the arrangements against a checklist provided within the “Fighting Fraud and Corruption Locally” publication. This assessment was considered by the Audit Committee at its meeting of 21st September 2016. Where required the Council will take action against those who breach the Council’s approach of zero tolerance including reporting concerns to the Police, the Department of Work and Pensions, or directly through its own employee codes of conduct.

Ensuring an effective scrutiny function is in place.

Position at BDC: The functioning of Scrutiny is well established and operating effectively supported by a dedicated specialist independent officer. These arrangements and the effective engagement of other Members and Officers of the Council help ensure that Scrutiny’s analysis and recommendation are supported by robust evidence, data and critical analysis. Where appropriate Scrutiny reports are referred to Cabinet for its consideration. All Scrutiny meetings have agendas, reports and minutes on the Council’s website.

Ensuring that 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.

Position at BDC: The Council is fully compliant with the requirements of the CIPFA Statement. The Internal Audit Consortium Manager is professionally qualified, suitably experienced, reports on a regular basis to the Audit Committee, with unrestricted access to elected members and management. The Chief Financial Officer prepares on an Annual basis an “Annual Review of the Effectiveness of Internal Audit” This appears on the Audit agenda of May 2017 and recommends to the Committee that they endorse the Chief Financial Officer’s view which is that “It is my opinion that the Council’s Internal Audit function which is provided as a Joint Servicecarries out this function competently and to a high standard. The Consortium provides an effective service which I can place reliance on”

Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013).

Position at BDC: The Audit Committee at its meeting of 21st November 2016 undertook a self assessment of its own performance against best practice covering both the areas of work considered by the Committee, together with its powers in the Constitution and the effectiveness of the Committee in securing improved outcomes. The self assessment concluded that the Audit Committee was undertaking the role of an Audit Committee in an effective manner.

Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

Position at BDC: All reports of the External Auditor are given appropriate consideration by the Audit Committee, which requires that recommendations are implemented by Council officers. Significant external – and internal – audit recommendations are placed

on the Key Issues on Financial Governance report which is a standing item on the Audit Agenda. The reports taken by the External Auditor to the Audit Committee continue to acknowledge the active co-operation of Council staff with the work of External Audit.

Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the authority's overall governance structures.

Position at BDC: The Council manages its partnerships through the Partnership Team located in the Growth Directorate, whilst the Strategic Partnerships with the Derbyshire and Sheffield economic regions, the Strategic Alliance and other Joint Working are handled through a range of governance arrangements in which both Elected Members and Officers play an active role. Reports to Cabinet and Council set out progress in each of the key partnerships and help ensure that managerial arrangements remain robust.

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 2016 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 of the relevant legislation, 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 considered the current policies and procedures in place at the Council against the good practice guidance issues by CIPFA / SOLACE and have concluded that the Council’s arrangements are fit for purpose when benchmarked against these criteria
- We have considered all of the findings or outcomes of the reports presented by the Audit Commission and 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 with significant risk attached 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 the Director of Corporate Resources (S151 Officer) and has been commented on by senior Council Officers.
- The contents of the Governance Statement have been agreed with the Strategic Alliance Management team.
- Portfolio Members of the Cabinet have been provided with the opportunity to comment.

- The statement was agreed by the Council's Audit Committee at its meeting of 18th May 2017.

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.

Ruth Jaffray
Chair of the Audit Committee

Bryan Mason
Chief Financial Officer

Sarah Sternberg
Monitoring Officer

Bolsover District Council

Audit Committee

16th May 2017

Annual Review of the Effectiveness of Internal Audit

Report of the Executive Director – Operations

This report is public

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 2016/17 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 conclusion that has been reached.

- 1.4 Firstly, the Internal Audit Consortium has achieved 96% of the Internal Audit Plan for 2016/17 that was approved by this committee on 12th April 2016, with the remaining two audits (which will be completed by the end of May 2016) to be considered as part of the 2017/18 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 12th April 2016 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 2016/17 Annual Report to Bolsover District Council, which I am satisfied gives Members a true and fair view as to internal audit work and progress during the 2016/17 financial year. It should be noted that the Plan in respect of 2017/18 was agreed at this Committee on 11th April 2017.
- 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 exercise 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). The Internal Audit Consortium Manager reports on an annual basis the outcome of the self assessment that has been undertaken, with the assessment together with an Improvement Plan

reported to and agreed by this Audit Committee. 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 was undertaken during the 2016/17 financial year with a detailed report on the outcome being considered at the meeting of this Committee on 16th January 2017. The external review was a positive one and concluded that the Internal Audit service complied with the requirements of the Public Sector Internal Audit Standards. The review while concluding that a robust internal audit standard was being maintained and delivered did identify some areas for improvement to enhance the existing service and these have been developed into an Action Plan which is in the process of being delivered. I consider that the review supported my own understanding of the position of the Internal Audit team and it is reassuring that the service has once again responded positively and is seeking to use the outcome of the review to secure further improvement in the quality of the service.
- 1.8 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. Over the period since its inception the audit resource available to Bolsover District Council has been reduced against that set out within the original Business Plan reflecting the requirement within local authorities to secure on going efficiencies. 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. The work of the external review has served to confirm that the service provides good value to the Council. 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 this would not be an appropriate conclusion to reach.

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 2016/17 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 2017

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 position of the Council's financial governance arrangements. This report reflects both the Annual Audit Letter 2015/16 together with the more detailed ISA 260 report from KPMG both of which have been presented to this Committee. It also considers the latest update report from Internal Audit concerning progress on the Internal Audit Plan which is provided elsewhere on this agenda. The outcome of those reports together with planned management action to address the limited number of issues identified 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 financial issues 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 2015/16 Audit. The key messages from that report concern firstly the quality of the Statement of Accounts where the external auditors issued both an unqualified opinion on the Statement of Accounts by the 30th September, while concluding that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. While the overall conclusions was a very satisfactory outcome for the Council the detail of the report did identify a limited number of areas where improvement is required and helps clarify where we need to focus efforts to ensure that existing standards are maintained.
- 1.3 The Council is currently in the process of finalising its Statement of Accounts in respect of the 2016/17 Financial Year, with the result that the positive outcome of

the previous years audit (2015/16) is now of less relevance for this Committee to consider as it is in the process of being updated.

1.4 With regard to the value for money conclusion and the associated risk areas whilst current arrangements are operating well and are fit for purpose, they will need to continue to evolve in the light of changing circumstances if the Council is to continue to secure a positive assessment. The main issue identified was as follows:

- 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 approaching £2m over the next four financial years. In addition to the currently identified savings target the report noted that there are a range of risks or financial uncertainties that are currently facing the authority which will need to be effectively managed if the Council is to secure continued financial sustainability.

1.5. With regard to the work of Internal Audit the Council received a total of 3 marginal reports in 2013/14, 2014/15 and 2015/16 which is an indication that standard of internal control are being maintained. The Annual Report from the Internal Audit Consortium appears elsewhere on this agenda and identifies that a total of four audits (Taxi Licensing, S106 arrangements, Use of Social Media and Health and Safety have been assessed as marginal. A further report that in respect of Transport has assessed the system of Internal Control as unsatisfactory. Copies of the reports in respect of Taxi Licensing, Health and Safety and Transport have been provided to members of the Audit Committee for their consideration and to allow them to raise any concerns which they considered to be appropriate. The increase in the number of 'critical' audit reports is clearly a concern for the Audit Committee which will need to be addressed over the 2017/18 financial year. It does, however, need to be recognised that the 5 'critical' audit reports were only 16% of the 31 reports issued. All of the reports in respect of key financial systems resulted in a satisfactory or good conclusion providing appropriate assurance concerning some of the key areas of risk. It should also be noted that the Council has adopted a high standard in respect of the audit reports that are selected for corporate action and that management has become more pro active in identifying areas of concern to be included within the Internal Audit Plan. These factors need to be considered in arriving at any overall conclusion concerning the effectiveness of internal control arrangements.

1.6. The Strategic Issues of Financial Governance that have been previously identified 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. While the Council's financial governance arrangements have improved over recent years and are now robust it continues to be important that the Audit Committee adopts a pro active role in order to ensure current standards are maintained.

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 on balance 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 maintaining the quality of and where possible 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 other 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 required outcomes.

5 Implications

5.1 Finance and Risk Implications

Financial

There are no additional financial implications for the Council arising from 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 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 Recommendation

- 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 on addressing those issues.

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 2015/16 ISA 260” (Audit Committee 21st September 2016). “Annual Audit Letter 2015/16” (Audit Committee 21 st November 2016) Internal Audit Reports: “Annual Report to Bolsover District Council 2016/17” (Audit Committee 16 th May 2017)	
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 over the past few years. On the basis of the MTFP approved in February the shortfall in respect of the current financial year 2016/17 have been resolved and the Council should achieve an in year surplus in excess of £0.4m. While the estimated shortfall of £0.170m in respect of the current year (2017/18) should be easily resolvable, there remain a further shortfall of £1.7m over the final three 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.</p> <p>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 for the four years from April 2016. 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 continue to actively manage the position to ensure that the 30 year business plan remains robust.</p> <p>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 maintaining the quality of and 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. A further programme of training is planned to be provided in spring 2017.</p> <p>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 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 2015/16 concluding that our arrangements are robust. That standard needs to be maintained against a background of the significant reputational impact of not securing an unqualified external audit conclusion and the reality that good financial reporting is generally a sign of wider robust financial management. Accordingly the position will continue to be monitored as part of the Key Issues of Financial Governance report.</p>