

Date: 8<sup>th</sup> April 2019

The Arc  
High Street  
Clowne  
Derbyshire  
S43 4JY

Dear Sir or Madam

You are hereby summoned to attend a meeting of the Audit Committee of the Bolsover District Council to be held on **Tuesday 16<sup>th</sup> April 2019 at 1400 hours** in the Council Chamber, The Arc, Clowne.

Register of Members' Interests - Members are reminded that a Member must within 28 days of becoming aware of any changes to their Disclosable Pecuniary Interests provide written notification to the Authority's Monitoring Officer.

You will find the contents of the agenda itemised on page 2.


Yours faithfully



Joint Head of Corporate Governance and Monitoring Officer  
To: Chair and Members of Audit Committee

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# AUDIT COMMITTEE

## AGENDA

**Tuesday 16<sup>th</sup> April 2019 at 1400 hours in the Council Chamber, The Arc, Clowne**

<b>Item No.</b>		<b>Page No.(s)</b>
<b>PART 1 – OPEN ITEMS</b>		
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 29 <sup>th</sup> January 2019.	3-5
5.	<b>Reports of the Council's External Auditor MAZARS</b>	
	(A) Audit Strategy Memorandum.	6-26
	(B) Audit Committee Progress Report	27-37
6.	<b>Reports of the Internal Audit Consortium Manager</b>	
	(A) Internal Audit Plan 2019/20	38-48
	(B) Summary of Progress on the Annual Internal Audit Plan 2018/19.	49-54
7.	<b>Report of the Joint Head of Corporate Governance and Monitoring Officer</b>	
	(A) Annual Governance Statement and Local Code of Corporate Governance.	55-100

## **AUDIT COMMITTEE**

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in Committee Room 1, The Arc, Clowne, on Tuesday 29<sup>th</sup> January 2019 at 1400 hours.

### **PRESENT:-**

Members:-

Councillor K. Reid in the Chair

Councillors A.M. Syrett, D. McGregor (from Minute No 0638), B. Watson, D.S. Watson and R. Jaffray (Cooptee Member).

Officers:- D. Clarke (Joint Head of Finance & Resources and Section 151 Officer), J. Williams (Internal Audit Consortium Manager) and A. Bluff (Governance Officer).

Also in attendance at the meeting was Mark Sturridge (Mazars).

### **0634. APOLOGY**

An apology for absence was received on behalf of Councillor T. Munro.

### **0635. URGENT ITEMS OF BUSINESS**

There were no urgent items of business to consider.

### **0636. DECLARATIONS OF INTEREST**

There were no declarations of interest made.

### **0637. MINUTES – 20<sup>TH</sup> NOVEMBER 2018**

Moved by Councillor A.M. Syrett and seconded by Councillor K. Reid

**RESOLVED** that the Minutes of an Audit Committee held on 20<sup>th</sup> November 2018 be approved as a correct record.

Councillor D. McGregor entered the meeting at this point.

### **0638. REPORT OF THE COUNCIL'S EXTERNAL AUDITOR – MAZARS AUDIT COMMITTEE PROGRESS REPORT**

Committee considered a progress report and technical update prepared by MAZARS, the Council's External Auditors.

The progress report included a summary of the audit outputs Mazars were required to share with the Council under auditing standards and other reporting responsibilities, together with an indicative timeline for the audit.

## **AUDIT COMMITTEE**

The technical update provided summaries of recent technical and other sector publications from Mazars, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the National Audit Officer (NAO), which were relevant to the Council's responsibilities.

Members noted that they were happy with the progress made by Mazars to date. The Joint Head of Finance and Resources advised the meeting that further work would be carried out over the forthcoming months.

Moved by Councillor D. McGregor and seconded by Councillor A.M. Syrett  
**RESOLVED** that the report be noted.

### **0639                      REPORT OF THE INTERNAL AUDIT CONSORTIUM MANAGER                                  (A) SUMMARY OF PROGRESS ON THE ANNUAL INTERNAL AUDIT PLAN                                  2018/19**

Committee considered a report in relation to progress made by the Internal Audit Consortium in respect of the 2018/19 Internal Audit Plan.

The report included a summary of internal audit reports issued between 9th November 2018 and 18th January 2019. Seven reports had been issued; 5 with substantial assurance and 2 with reasonable assurance.

Committee was advised that the following audits were currently in progress;

- Housing Benefits
- Flytipping
- Expenses and Allowances
- Creditors
- Commercial Waste

Moved by Councillor D. McGregor and seconded by Councillor A.M. Syrett  
**RESOLVED** that the report be noted.

### **0640.                      REPORTS OF THE JOINT HEAD OF FINANCE AND RESOURCES                                  (A) ACCOUNTING POLICIES 2018/19**

Committee considered a report which presented the proposed accounting policies to be applied in the preparation of the Statement of Accounts for 2018/19.

The Council was required to have appropriate Accounting Policies within its Statement of Accounts and officers had developed what they considered to be an appropriate set of policies based upon those adopted in previous financial years and taking account of changes as required by current legislation.

The report was largely a technical document but it was important that the consultation with Audit Members (as those charged with governance) had the opportunity to review and shape the document.

Members were requested to note that any proposed amendments or changes to the policies would be reported back to Audit Committee together with an explanation for the reason a

## AUDIT COMMITTEE

change was considered appropriate and detailing any financial implications of the amendments.

Moved by Councillor D. McGregor and seconded by Councillor A.M. Syrett

**RESOLVED** that (1) the Accounting Policies detailed at Appendix 1 to the report be approved,

(2) any proposed amendments or changes to the policies be reported back to Audit Committee together with an explanation for the reason a change was considered to be appropriate and detailing any financial implications of the amendments.

(Joint Head of Finance and Resources and Section 151 Officer)

### 0641. (B) ROLE AND EFFECTIVENESS OF THE AUDIT COMMITTEE

Committee considered a report which informed Members of CIPFA'S new publication, "*Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition*".

The new publication set out CIPFA's guidance on the function and operation of audit committees in local authorities and represented best practice for audit committees throughout the UK. The guidance replaced the previous 2013 guidance.

The publication also included a self-assessment of good practice and it was proposed that this be completed by the Committee, which would be reviewed and if necessary, an action plan produced and be presented to a future meeting of the Committee.

Where an Audit Committee had a high degree of performance against the good practice principles, then it was an indicator that the Committee was soundly based and had in place a knowledgeable membership. These were essential factors in developing an effective audit committee.

It was suggested that Members take away the self-assessment form to complete and return to the Chair within 10 working days of this meeting with a report to be presented to a future meeting of Audit Committee.

Moved by Councillor D. McGregor and seconded by Councillor A.M. Syrett

**RESOLVED** that (1) the new CIPFA guidance for Local Authority Audit Committees be noted,

(2) Audit Committee Members undertake the self-assessment and return to the Chair within 10 working days of this meeting,

(3) the completed self-assessment be reviewed and if necessary, an action plan be presented to a future meeting of the Audit Committee.

(Joint Head of Finance and Resources and Section 151 Officer)

The meeting concluded at 1415 hours.

# Audit Strategy Memorandum

Bolsover District Council

Year ending 31 March 2019





## CONTENTS

1. Engagement and responsibilities summary
2. Your audit engagement team
3. Audit scope, approach and timeline
4. Audit risks and key judgement areas
5. Value for Money
6. Fees for audit and other services
7. Our commitment to independence
8. Materiality and misstatements

Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

Appendix C – Mazars' client service commitment

This document is to be regarded as confidential to Bolsover District Council. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Audit Committee Members  
Bolsover District Council  
The Arc  
High Street  
Clowne  
Derbyshire  
S43 4JY

28 February 2019

Dear Sirs / Madams

**Audit Strategy Memorandum – Year ending 31 March 2019**

We are pleased to present our Audit Strategy Memorandum for Bolsover District Council for the year ending 31 March 2019

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Bolsover District Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07875 974 291.

Yours faithfully

**Mark Surridge**  
Mazars LLP



# 1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

## Overview of engagement

We are appointed to perform the external audit of Bolsover District Council (the Council) for the year to 31 March 2019. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>.

## Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:

**Audit opinion**

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.

**Reporting to the NAO**

We are required to issue an assurance statement to the National Audit Office confirming the income, expenditure, asset and liabilities of the Council.

**Value for Money**

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

**Electors' rights**

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audit does not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified the Audit Committee as those charged with governance.



## 2. YOUR AUDIT ENGAGEMENT TEAM



**Mark Surridge**

**Director and Engagement Lead**

E-Mail: [mark.surridge@mazars.co.uk](mailto:mark.surridge@mazars.co.uk)

Tel: 07875 974 291



**Mike Norman**

**Senior Manager**

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Tel: 07909984151

### 3. AUDIT SCOPE, APPROACH AND TIMELINE

#### Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

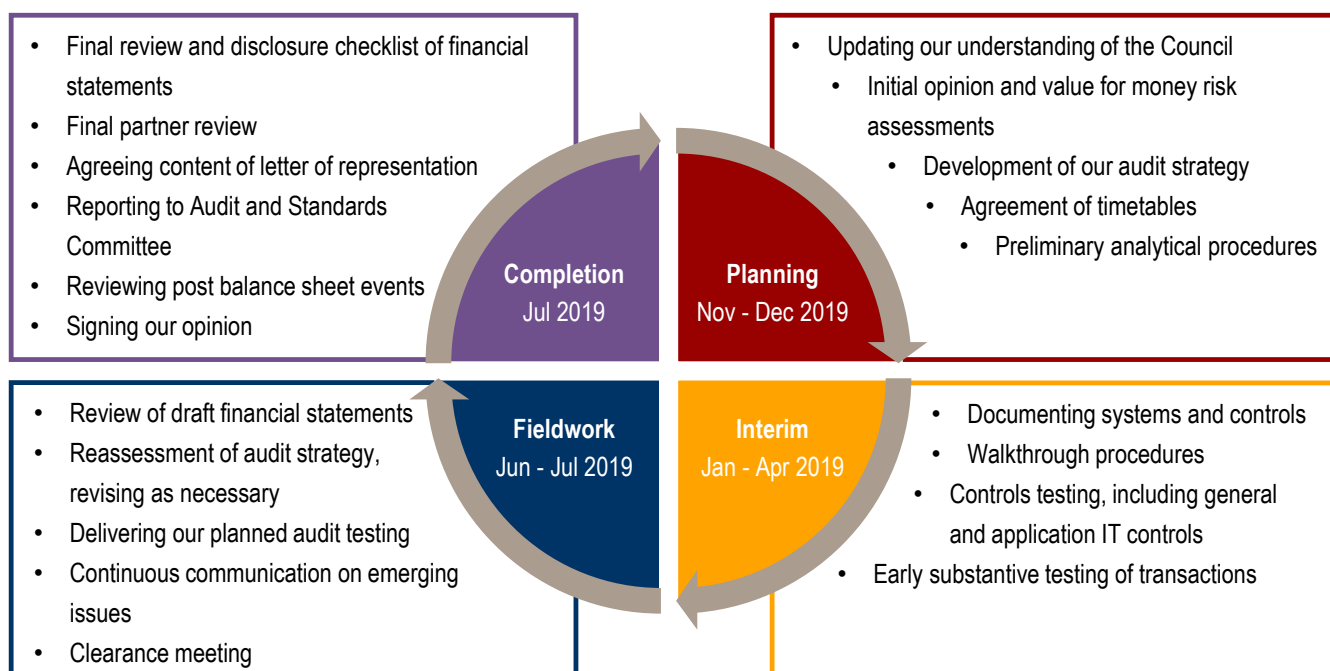
#### Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram below outlines the procedures we perform at the different stages of the audit.



### 3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

#### Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

#### Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Defined benefit liability	Hymans Robertson <i>Actuary for Derbyshire Pension Fund</i>	PWC <i>Consulting actuary appointed by the NAO</i>
Property, plant and equipment valuation	Roger Owen <i>The Council's internal valuer</i>	Gerald Eve <i>Valuations expert appointed by the NAO</i>
Business Rates Appeals valuation	Inform CPI Ltd <i>Analyse LOCAL Valuation System</i>	<i>Not Applicable</i>
Financial instrument disclosures	Arlingclose <i>Treasury management advisors</i>	Not applicable

#### Service organisations

International Auditing Standards (UK) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach.

Items of account	Service organisation	Audit approach
Pension cost (cost of services) Net interest on defined benefit liability Re-measurements of the net defined benefit liability (OCI) Net pension liability	Derbyshire Pension Fund <i>The IAS 19 pension entries that form part of the Council's financial statements are material and are derived from actuarial valuations. The process of obtaining these is co-ordinated by and uses information held and processed by the service organisation.</i>	We will review the controls operating at the Council over these transactions to gain an understanding of the services provided by the service organisation.  Where we conclude that we do not have a sufficient understanding of the services provided by the service organisation we will seek to obtain assurance by using another auditor to perform procedures that will provide the necessary information about the relevant controls at the service organisation.

#### Group Accounts Approach

In 2017 a new joint venture was set up with Woodhead Regeneration Ltd; Dragonfly Development Ltd. This was set up to build new homes within the Bolsover area. Group accounts were not prepared in 2017/18 on the grounds of materiality but activity is expected in 2018/19 and future years. We will examine the Council's transactions with Dragonfly Development Ltd in 2018/19 and consider their accounting treatment and any relevant disclosures in the financial statements as part of our audit.



# 4. AUDIT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

**Significant risk** A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

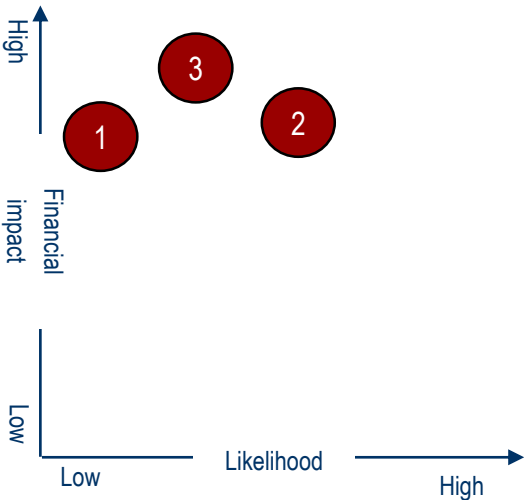
**Enhanced risk** An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

**Standard risk** This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the tables below, highlight those risks which we deem to be significant or enhanced. We have summarised our audit response to these risks over the next pages.

At the time of writing this memorandum we are yet to complete our detailed risk assessment work over the Council’s key financial systems and general IT controls. We aim to complete this work as part of our interim visit in January and will update the Audit Committee where we subsequently identify any additional risks.



Risk	
1	Management override of control
2	Property, plant and equipment valuation
3	Defined benefit liability valuation

## 4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

### Significant risks

	Description of risk	Planned response
1	<b>Management override of controls</b>  Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	In relation to the management override of controls we will: <ul style="list-style-type: none"> <li>• Document our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding;</li> <li>• Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>• Review the calculation of management's material accruals, estimates and provisions for evidence of management bias;</li> <li>• Evaluate the business rationale for any significant unusual transactions;</li> <li>• Understand the oversight given by those charged with governance of management process over fraud;</li> <li>• Sample test accruals and provisions based on established testing thresholds; and</li> <li>• Review material aspects of capital expenditure on property plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.</li> </ul>

## 4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

### Significant risks (continued)

	Description of risk	Planned response
2	<p><b>Valuation of property, plant and equipment, investment properties and assets held for sale</b></p> <p>The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area.</p>	<p>In relation to the valuation of property, plant &amp; equipment, investment properties and assets held for sale we will:</p> <ul style="list-style-type: none"> <li>• Critically assess the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;</li> <li>• Consider whether the overall revaluation methodologies used by the Council's valuer's are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;</li> <li>• Assess whether valuation movements are in line with market expectations by using our own valuation expert to provide information on regional valuation trends;</li> <li>• Critically assess the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice;</li> <li>• Critically assess the approach that the Council adopts to ensure that assets not subject to revaluation in 2018/19 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer's; and</li> <li>• Test a sample of items of capital expenditure in 2018/19 to confirm that the additions are appropriately valued in the financial statements.</li> </ul>

## 4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

### Significant risks (continued)

	Description of risk	Planned response
3	<p><b>Valuation of net defined benefit liability</b></p> <p>The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>	<p>In relation to the valuation of the Council's defined benefit pension liability we will:</p> <ul style="list-style-type: none"> <li>• Critically assess the competency, objectivity and independence of the Derbyshire Pension Fund's Actuary, Hymans Robertson;</li> <li>• Liaise with the auditors of the Derbyshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;</li> <li>• Test payroll transactions at the Council to provide assurance over the pension contributions which are deducted and paid to the Pension Fund by the Council;</li> <li>• Review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; and</li> <li>• Agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.</li> </ul>



# 4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

## Consideration of other mandatory risks

Auditing standards require us to consider two standard risks for all organisations:

- Management override of controls; and
- Fraudulent revenue recognition.

We have already considered and identified management override of controls as a significant risk above, but set out our considerations in respect of fraudulent revenue recognition below:

	Description of risk	Planned response
1	<p><b>Fraudulent revenue recognition</b></p> <p>Our audit methodology incorporates this risk as a significant risk at all audits, although based on the circumstances of each audit, it is rebuttable.</p>	<p>We do not consider this to be a significant risk for Bolsover District Council as:</p> <ul style="list-style-type: none"><li>• there is an overall low risk for local authorities, and particularly this Council;</li><li>• there are no particular incentives or opportunities to commit material fraudulent revenue recognition; and</li><li>• the level of income that does not derive from either grant or taxation sources is low relative to the Council's overall income streams, and generally represents a number of low value, high volume transactions.</li></ul> <p>We therefore rebut this risk and do not incorporate specific risk procedures over and above our standard fraud procedures to address the management override of controls risk.</p>

## 4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

### Enhanced risks and key areas of management judgement

Enhanced risks and key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Area of management judgement	Planned response
1	<b>Provision for business rate appeals against the rating list</b>  The issue of a new rating list and a change in the appeals process has created delays in appeals being notified to the Council. Consequently management need to make an assumption over the likely level of appeals that will be successful based on their rating knowledge.	We plan to address this judgement by: <ul style="list-style-type: none"> <li>• Reviewing the basis of the Council's calculation of its provision by recalculating the provision, evaluating the key assumptions of the provision, vouching movements in the provision and confirming completeness of entries;</li> <li>• Assessing whether the provision has been calculated and recorded in accordance with the Council's accounting policy; and</li> <li>• Assessing whether the amount provided at the period end is appropriate, taking into account the Council's anticipated actual liability.</li> </ul>
2	<b>Minimum revenue provision (MRP)</b>  Local authorities are normally required each year to set aside some of their revenues as provision for debt in respect of capital expenditure financed by borrowing or long term credit arrangements, by reference to the prior year's closing Capital Financing Requirement. The amount to be set aside each year is not prescribed although an overarching principle of prudence is expected to be adopted. This is supported by statutory guidance as to how this could be achieved and the Council is required to have regard to this in setting its MRP policy. Management judgement is therefore exercised in determining the level of its prudent provision.	We plan to address this judgement by: <ul style="list-style-type: none"> <li>• Reviewing the Council's MRP policy to ensure that it has been developed with regard to the statutory guidance;</li> <li>• Assessing whether the provision has been calculated and recorded in accordance with the Council's policy;</li> <li>• Assessing whether the amount provided for the period is appropriate, taking into account the Council's Capital Financing Requirement; and</li> <li>• Confirming that any charge has been accounted for in accordance with the Code.</li> </ul>

## 5. VALUE FOR MONEY

### Our approach to Value for Money

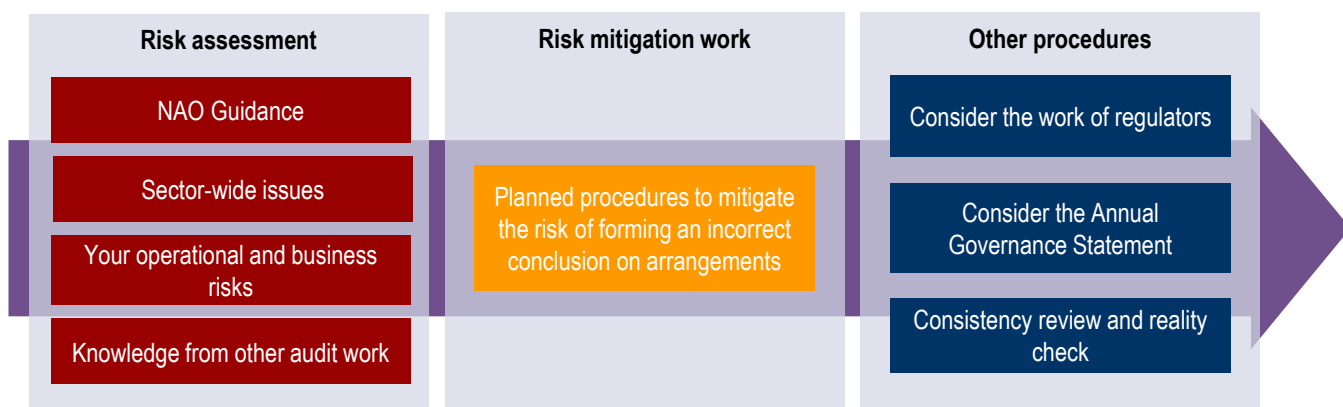
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

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

A summary of the work we undertake to reach our conclusion is provided below:



### Significant risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For the 2018/19 financial year, we have not identified any significant risks to our VFM conclusion. We have though identified two specific matters which we need to keep to under close review:

- Financial sustainability - the 2020/21 onwards financial position is uncertain, which is a common issue for all bodies in the local government sector. The current service demands and funding assumptions indicate a likely shortfall in those years with nearly £1m savings required by 2020/21. The Council is revisiting its budget and setting up a transformation team and programme which is expected to generate proposals to bridge the gap. We need to monitor the progress made and revisit position in relation to this significant risk before forming our VFM conclusion.
- Commercial Property Investment Strategy – the initial proposals considered by members have been developed further with a view to ensuring the Council has a clear strategy and established governance arrangements for properly considering options and opportunities. The Executive considered the latest strategy in February 2019 and we need to keep a watching brief on these activities.

We will continually assess whether any matters come to our attention through the course of our audit that lead us to conclude that a risk to our VFM conclusion does exist and where any such risk is identified, these will be reported to the Audit Committee in July 2019 as part of our Audit Completion Report.



# 6. FEES FOR AUDIT AND OTHER SERVICES

## Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter of 25 April 2018.

Service	2017/18 fee	2018/19 fee
Code audit work	£38,046	£49,410

## Fees for non-PSAA work

We have not been separately engaged by the Council to carry out any additional work over the fees outlined above in relation to our appointment by PSAA.

Should the Council wish us to undertake any additional work, before agreeing to this we will consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.



## 7. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Surridge in the first instance.

Prior to the provision of any non-audit services Mark Surridge will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

As we have not been engaged to carry out any non-audit work to date, no threats to our independence have been identified. Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

## 8. MATERIALITY AND MISSTATEMENTS

### Summary of initial materiality thresholds

Threshold	Initial threshold
Overall materiality	£1,464,000
Performance materiality	£1,025,000
Trivial threshold for errors to be reported to the Audit Committee	£44,000

### Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

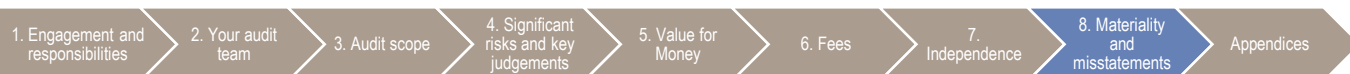
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of the 2017/18 total gross expenditure. We have calculated a headline figure for materiality but have also identified separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We consider that total gross expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



## 8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

We have set our materiality threshold at 2% of the benchmark based on the 2017/18 audited financial statements.

Based on the 2017/18 audited financial statements we anticipate the overall materiality for the year ending 31 March 2019 to be £1,464,000.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

### Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting performance materiality we have taken into account that this is our first year of audit and accordingly we do not hold extensive cumulative audit knowledge about the Council's financial statements. We have therefore set our performance materiality at 70% of our overall materiality being £1,025,000.

As with overall materiality, we will remain aware of the need to change this performance materiality level through the audit to ensure it remains to be set at an appropriate level.

### Specific items of lower materiality

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that misstatements of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We have set specific materiality for the following items of account:

Item of account	Specific materiality
Officers' remuneration	£5,000 *
Members' allowances and expenses	£92,000
External audit costs	£10,000

\* Reflecting movement from one salary band to another

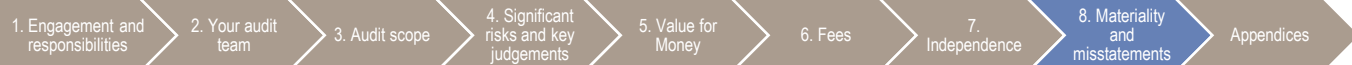
### Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £44,000 based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Surridge.

### Reporting to the Audit Committee

To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).



# APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓



# APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

## Changes relevant to 2018/19

IFRS 9 Financial Instruments - the standard replaces IAS 39 and introduces significant changes to the recognition and measurement of the Council's financial instruments, particularly its financial assets.

Although the accounting changes may be complex and may require the reclassification of some instruments, it is likely that the Council will continue to measure the majority of its financial assets at amortised cost. However, we are aware that consideration will need to be given to the Council's holdings in property funds which may need to be reclassified from their current available for sale category.

For Councils that hold instruments that will be required to be measured at fair value under the new standard, there may be instances where changes in these fair values are recognised immediately and impact on the general fund. We are aware that, following the Ministry of Housing, Communities and Local Government consultations, a statutory override, will be put in place to mitigate the impact of these fair value movements on the Council's general fund balance.

IFRS 15 Revenue from Contracts with Customers - the 2018/19 Code also applies the requirements of IFRS 15, but it is unlikely that this will have significant implications for most local authorities.

There are no other significant changes to the Code of Practice on Local Authority Accounting (the Code) for 2018/19.

## Changes in future years

Accounting standard	Year of application	Implications
IFRS 16 – Leases	2020/21	<p>We anticipate that the new leasing standard will be adopted by the Code for the 2020/21 financial year.</p> <p>IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17.</p> <p>Lessees will need to recognise assets and liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed.</p> <p>The introduction of this standard is likely to lead to significant work being required in order to identify all leases to which the Council are party to.</p>

# APPENDIX C – MAZARS’ CLIENT SERVICE COMMITMENT

We are here because of our clients; serving them in the best way we can is part of our DNA. We operate a Code of Conduct which drives our client service commitment in all areas, as set out below.



# Audit Committee Progress Report – March 2019

Bolsover District Council

Year ending 31 March 2019





# CONTENTS

Audit Progress

Appendix A – Technical Update

# AUDIT PROGRESS

## Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditor.

This paper also seeks to highlight at Appendix A key emerging national issues and developments which may be of interest to Members of the Committee.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team.

## Audit progress

Since the Committee last met we have:

- held internal planning meetings as part of our planning process for the 2018/19 audit;
- had update meetings with finance in respect of planning for the 2018/19 interim and final audit visits;
- undertaken planning work to refresh our documentation in respect of the Council's systems (including undertaking walkthrough testing);
- gained an understanding of the processes in place at the Council that inform the preparation of the financial statements;
- early substantive testing of transactions (including payroll, journals and property, plant and equipment)
- undertaken our risk assessment as part of planning for our 2018/19 VFM conclusion;
- liaised with Internal Audit; and
- prepared our Audit Strategy Memorandum, which is being presented to the Audit Committee as a separate item at the April 2019 meeting.

Our work is on track, and there are no significant matters arising from our work that we are required to report to you at this stage.

## Technical Update

Appendix A includes, for the Committee's information, summaries of recent technical and other sector publications (from Mazars, CIPFA, the NAO and the LGA) which we believe are relevant to your responsibilities. The reports covered in this appendix, and the key messages, are summarised overleaf.

# AUDIT PROGRESS (CONT.)

Mazars		
1	New NHS Long Term Plan	In this briefing on the new NHS long-term plan, Mazars have highlighted the implications of the plan for local government and the key questions that local authorities should be considering.
Chartered Institute of Public Finance and Accountancy (CIPFA)		
2	Proposed Financial Management Code for Local Government	CIPFA is seeking views on a proposed new Financial Management Code (CIPFA FM Code), which aims to drive improvement in financial management for all local authorities in the United Kingdom.
3	Social Care Risk Tool	CIPFA and the Association of Directors of Adult Social Services (ADASS) have released the 2018 edition of the Social Care Risk Tool; an advisory risk assessment tool for discretionary use by councils with adult social care responsibility.
4	CIPFA Bulletin 03 Closure of the 2018/19 Financial Statements	This bulletin covers the closure of accounts for the 2018/19 year and provides further guidance and clarification to complement the 2018/19 Code of Practice on Local Authority Accounting and Guidance Notes. It addresses, where relevant, frequently asked questions and other issues that have arisen since the publication of the 2018/19 Code Guidance Notes.
National Audit Office		
5	Planning for new Homes	This report is part of a series on housing in England, including Housing in England: overview (2017) and Homelessness (2017). The latest report focuses on the Ministry of Housing, Communities and Local Government's (MHCLG's) objective for housing in England to deliver a million homes by the end of 2020; half a million by the end of 2022; and to deliver 300,000 net additional homes a year on average.
6	March 2019 Round-up for Audit Committees	This interactive quarterly round-up of NAO publications is intended to help Audit Committees, Boards and other users by outlining the latest NAO resources for governance and oversight, risk management and strategic management issues. It also sets out how to keep in touch with NAO insight on specific issues and/or sectors.
Local Government Association		
7	Twenty-first Century Councils	Toolkit to help councils empower women, parents and carers to become local councillors and take on leadership positions.

Please get in touch if there any reports which you would like to discuss further with the Mazars audit team



# APPENDIX A – TECHNICAL UPDATE

## Background

This appendix includes, for the Committee’s information, summaries of recent technical and other sector publications (from Mazars, CIPFA, the NAO and the Local Government Association) which are relevant to your responsibilities. Please get in touch if there any reports which you would like to discuss further.

### 1. Summary of NHS long-term plan, Mazars, January 2019

To support local planning, local health systems will receive five-year indicative financial allocations for 2019/20 to 2023/24 and be asked to produce local plans for implementing the commitments set out in the NHS Long Term Plan. But what does it mean for local government?

Relationships between the NHS and local government could be more challenging since the direct and significant financial relationship with the NHS through the Better Care Fund is facing an overhaul and the extent of structural overhaul facing the NHS, through the advancement of Integrated Care Systems, requires time and effort. We have set out below the significant points for local government to consider.

Theme	Key features	Implications and questions for local government
System Architecture and Planning	Integrated Care Systems (ICS) will be everywhere by April 2021 with the “triple integration’ of primary and specialist care, physical and mental health services, and health with social care” at a place level with commissioners sharing decisions on planning with providers. Each ICS will have a single set of commissioning decisions at the system level. This will typically involve a single Clinical Commissioning Group (CCG) for each ICS area with CCGs to become leaner, more strategic organisations working with partners, population health, service redesign and delivery of the plan. ICS constitution will involve a partnership board consisting of commissioners, trusts, primary care networks, non-executive chair and an accountable Clinical Director for each Primary Care network. There will also be a new ICS accountability and performance framework to provide a consistent and comparable set of performance measures. It will include a new ‘integration index’ to measure how joined up the system is. This is interesting as it’s the public voice.	Integrated Care Systems will have a key role in working with local authorities at the ‘place’ level and, through the ICS governance structure, commissioners will make shared decisions with providers on how to use resources, design services and improve population health. A review and revision of the Better Care Fund may have direct financial implications for local authorities, particularly those arrangements where some Better Care Fund streams are used as support funding for social care services. The NHS Plan does recognise social care in terms of pressures it may create on the NHS and the need to continue to support local measures to address rising demand and costs through pooled budgets, personal health and social care budgets and cites the example of the NHS overseeing a pooled budget with a joint commissioning team (Salford model), where the Council Chief Executive is the accountable officer. A Green Paper is expected to provide further clarity.
Prevention and Inequalities	From April 2019, Clinical Commissioning Groups (CCGs) will receive a health inequalities funding supplement, with the possibility of the commissioning of public health services, e.g. health visitors, school nurses, sexual health etc., to return to the NHS. A planned £30million investment in rough sleepers.	The onus to reduce health inequalities falls to local authorities with the NHS as support. How / will funding flow into local authorities via CCGs or will we need to wait until the next spending review? Investment in the health of rough sleepers is a short-term fix – the wrap around is for local authorities to work on housing, mental health, care and employment.

# APPENDIX A – TECHNICAL UPDATE (CONT.)

Theme	Key features	Implications and questions for local government
Out of Hospital Care - Primary/Community Services	<p>There will be a greater proportionate level of investment in Primary care and Community Health Services: with ringfenced local funding equivalent to a £4.5billion increase by 2023/24.</p> <p>In return, the NHS Plan is expecting: Fully integrated community support with training and development of multidisciplinary teams in primary and community hubs, including community hospitals.</p> <p>Integrated teams of GPs, community services and social care. Urgent response and recovery support will be delivered by flexible teams working across primary care and local hospitals, including GPs, allied health professionals, district nurses, mental health nurses, therapists and reablement teams.</p> <p>More support for Care Homes to address hospital admissions and sub-optimal medication, with an Enhanced Care in Care Homes vanguard model is to be adopted that aims to improve the links between Care Homes and Primary Care through a consistent healthcare team and named practice support, pharmacist led medication reviews, emergency support, and access to records.</p>	<p>When care transfers into the community, there is an increasing need to manage the multiagency points of contact. Having integrated teams implies local authority care workers working alongside private sector GPs and NHS staff: how will referrals, care pathways and advice on alternative services, for example housing, be managed? This also raises the need for some joined up thinking over estates management and the infrastructure of public service assets – where should teams be based?</p> <p>Local authority supply management of care homes becomes more challenging: the resilience of local market is stretched with the cost of care not always making provision financially viable – will any additional funding merely bring back some stability falling short of ambitions for Enhanced Care?</p> <p>Technology becomes increasingly important including considerations for secure data sharing between organisations. Proposals to support advances in home wearables/monitoring technology to predict hospital admission, linked to smart home technology create new forms of the same challenge: who monitors the data and who is it shared with for the person's best interests? With an increase in social prescribing and personal health budgets, local authorities, including park authorities, can provide support through existing provision of leisure and community services. How can you create community engagement and healthier lifestyles?</p>
Urgent/ Emergency Care	<p>The goal is to achieve and maintain an average Delayed Transfers of Care figure of 4,000 or fewer delays. This aims to be achieved by placing therapy and social work teams at the beginning of the acute hospital pathway, with an agreed clinical care plan within 14 hours of admission that includes an expected date of discharge.</p>	<p>A direct and an indirect impact to local authorities for those residents in care or living in local authority housing. There becomes an increasing need for local authorities to dexterously call on partners across the local authority boundary, including the use of existing disabled facilities grant funding, to ensure people can return home safely.</p> <p>The Stoke-on-Trent based Revival Home from Hospital service is working at record levels and is saving the NHS almost £500,000 a year. The service helps people to get home from hospital as quickly as possible by making sure their homes meet their health needs.</p>



# APPENDIX A – TECHNICAL UPDATE (CONT.)

Theme	Key features	Implications and questions for local government
Elective Care	An NHS Personalised Care model and expansion of Personal Health Budgets, for example bespoke wheelchairs and community-based packages of personal and domestic support, mental health services, learning disabilities, and those people receiving social care support. There is expected to trained social prescribing professionals connecting people to wider services.	Who is best placed to provide advice on connecting people to wider services? Who is well placed to deliver connected services and is there more space for framework contracts of approved providers for people to draw down from?

A summarised version of the Plan is available to download from our website:

<https://www.mazars.co.uk/Home/Industries/Public-Services/Health/NHS-Long-Term-Plan-summary>

# APPENDIX B – TECHNICAL UPDATE (CONT.)

## CIPFA

### **2. CIPFA's Proposed Financial Management Code for Local Government (March 2019)**

CIPFA is seeking views on a proposed new Financial Management Code (CIPFA FM Code), which aims to drive improvement in financial management for all local authorities in the United Kingdom.

Local government finance in the UK is governed by primary legislation, regulation and professional standards as supported by regulation. The general financial management of a local authority, however, has not been supported by a professional code. CIPFA is now proposing that a Financial Management Code (CIPFA FM Code) should be designed and developed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The CIPFA FM Code would therefore for the first time set standards of financial management for local authorities in the UK.

The draft FM Code is based on a series of principles supported by specific standards and statements of practice. They are considered by CIPFA necessary to provide the strong foundation within local authorities to enable them to:

- financially manage the short-, medium- and long-term finances
- manage financial resilience to meet foreseen demands on services
- financially manage unexpected shocks in their financial circumstances.

The draft FM Code is similar to other CIPFA codes and statements in that it is based on principles rather than prescription. Each local authority (and those bodies designated to apply the FM Code) must demonstrate that the requirements of the FM Code are being satisfied. The draft FM Code is not expected to be considered in isolation, and accompanying tools will form part of the collective suite of evidence to demonstrate sound decision making.

To date, the draft FM Code has been developed with a specified governance process which includes practitioners, auditors and representatives of governments across the UK. It was then 'road tested' by a range of local authorities to provide early evidence of both practicality and fitness for purpose. Now, CIPFA is seeking to consult more widely and consequently invites comments on the draft FM Code.

Demonstrating this compliance with the CIPFA FM Code is regarded as the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team.

The consultation document and response sheet can be downloaded at the following links:

[https://www.cipfa.org/~media/files/policy%20and%20guidance/consultations/cipfa\\_financial\\_management\\_code\\_draft\\_v10\\_consultation\\_version.pdf?la=en](https://www.cipfa.org/~media/files/policy%20and%20guidance/consultations/cipfa_financial_management_code_draft_v10_consultation_version.pdf?la=en)

[https://www.cipfa.org/~media/files/policy%20and%20guidance/consultations/fm\\_code\\_consultation\\_questions\\_final.docx?la=en](https://www.cipfa.org/~media/files/policy%20and%20guidance/consultations/fm_code_consultation_questions_final.docx?la=en)

# APPENDIX B – TECHNICAL UPDATE (CONT.)

## CIPFA

### 3. Social care risk tool (February 2019)

CIPFA and the Association of Directors of Adult Social Services (ADASS) have released the 2018 edition of the Social Care Risk Tool; an advisory risk assessment tool for discretionary use by councils with adult social care responsibility.

The tool's objective is to help authorities assess whether unsustainable financial pressures might be faced by the adult social services department. It seeks to do this by assessing the extent to which various risk factors apply. This is the third version of the risk tool and it has been expanded to include new risks that have emerged since the previous version. In addition, a number of risks have been revised to make them clearer.

The risk assessment adopts a survey format and covers the following areas:

- savings;
- local pressures; and
- culture and relationships.

Each of the areas above includes a series of questions (or indicators), and authorities are required to assess whether the indicators are strongly present (score of 5); only present to some extent (scores 2 to 4); or not at all (score of 1). The total score helps to give an indication of where the authority lies. The maximum score is 195 (there are 39 questions altogether) which represents the highest risk possible. Some of the metrics (particularly those relating to unit costs) are more illustrative than prescriptive and local authorities may wish to adjust these to reflect their local circumstances.

The risk tool is available on CIPFA's website:

<https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool>

### 4. CIPFA Bulletin 03 Closure of the 2018/19 Financial Statements

This bulletin covers the closure of accounts for the 2018/19 year and provides further guidance and clarification to complement the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners (Code Guidance Notes). It addresses, where relevant, frequently asked questions and other issues that have arisen since the publication of the 2018/19 Code Guidance Notes. The updates include:

- Further practical guidance on the implementation of IFRS9 (financial instruments) and IFRS15 (revenue);
- Disclosure requirements and streamlining the accounts;
- EU Withdrawal (Brexit);
- Guaranteed Minimum Pensions; and
- Accounting standards that have been issued but not yet adopted.

The bulletin can be downloaded at the following link:

[https://www.cipfa.org/-/media/files/policy%20and%20guidance/cipfa%20bulletins/cipfa\\_bulletin\\_03\\_closure\\_2018\\_19\\_final.pdf?la=en](https://www.cipfa.org/-/media/files/policy%20and%20guidance/cipfa%20bulletins/cipfa_bulletin_03_closure_2018_19_final.pdf?la=en)

# APPENDIX B – TECHNICAL UPDATE (CONT.)

## National Audit Office (NAO)

### 5. Planning for new homes (February 2019)

The NAO has recently published a report on *Planning for new homes*. This report is part of a series on housing in England, including *Housing in England: overview (2017)* and *Homelessness (2017)*. The latest report focuses on the Ministry of Housing, Communities and Local Government's (MHCLG's) objective for housing in England to deliver a million homes by the end of 2020; half a million by the end of 2022; and to deliver 300,000 net additional homes a year on average.

The report recognises that increasing the supply of new homes is a complex task and one of the measures MHCLG has introduced to help achieve the objective is reforming the planning system. The report notes that the planning system is fundamental to providing new homes and it assesses how effectively MHCLG supports the planning regime to provide the right homes in the right places through:

- supporting local authorities to produce plans for how the supply of new homes will meet need in their area;
- supporting local authorities and the Planning Inspectorate in having effective and sufficiently resourced planning processes and teams to deal with planning applications and appeals; and
- working effectively with local authorities, other government departments and developers to ensure infrastructure to support new homes is planned and funded.

The report finds that at present, the system is not providing value for money and that the supply of new homes has failed to meet demand. It notes that a number of factors have contributed to the planning system not working and some of these include:

- the process of setting the need for new homes;
- the reductions in local authority capability;
- the under-performing Planning Inspectorate; and
- failures in the system to ensure adequate contributions for infrastructure.

The report recognises that MHCLG's new National Planning Policy Framework is an important step, but it is too early to tell whether the changes it introduces will be effective. The report also makes a number of recommendations for MHCLG to implement alongside the framework to help the planning systems work more effectively.

The data and the original March 2018 report can be found at the following link:

<https://www.nao.org.uk/report/planning-for-new-homes/>

### 6. Round-up for Audit Committees (March 2019)

This interactive round-up of NAO publications is intended to help Audit Committees, Boards and other users by outlining the latest NAO resources for governance and oversight, risk management and strategic management issues. It also sets out how to keep in touch with NAO insight on specific issues and/or sectors. This round-up is designed to make it easy for Audit Committees, Boards and other users to find the NAO resources most helpful for the strategic management of public sector organisations. It includes an introduction by Sir Amyas Morse, Comptroller and Auditor General, and draws particular attention to publications most useful for governance, oversight and risk management. It is published each autumn and spring, covering NAO publications over the previous six months.

The detailed report can be found at the following link:

<https://www.nao.org.uk/report/round-up-for-audit-committees/>

## Local Government Association

### 7. Twenty-first century councils (March 2019)

This toolkit has been developed to help councils create the underlying policies, procedures, ethos and environment that encourages and empowers women, parents and carers to become local councillors and take on leadership positions. The Local Government Association is encouraging councils to consider their existing practices, celebrate what is working, share good practice and take action to support councillors who are women, parents and carers. The equal participation of women and men in local politics, as our elected councillors and as our leaders, is an important condition for effective democracy and good governance. Representative councils are best able to speak to, and for, their communities and to support the effective business of local government. Democracy and decision-making are strengthened when councillors reflect the people they seek to serve and represent.

<https://www.local.gov.uk/twenty-first-century-councils>

## CONTACTS

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**Bolsover District Council**

**Audit Committee**

**16<sup>th</sup> April 2019**

<p><b><u>INTERNAL AUDIT PLAN 2018/19</u></b></p>
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**Report of the Internal Audit Consortium Manager**

**This report is public**

**Purpose of the Report**

- To present to Members for consideration and agreement the Internal Audit Plan for 2019/20.

**1 Report Details**

- 1.1 A key requirement of the Public Sector Internal Audit Standards is that a periodic risk based plan should be prepared that is sufficiently flexible to reflect the changing risks and priorities of the organisation. The risk based plan should be fixed for a period of no longer than one year, should outline the assignments to be carried out, their respective priorities and the estimated resources needed.
- 1.2 The internal audit plan is linked to BDC's corporate plan objective to provide customers with an excellent service. Audit reviews report on the operation of controls in place and recommend improvements.
- 1.3 A note explaining the role, purpose and some of the terminology used in the internal audit plan is attached at Appendix 1.
- 1.4 An annual report summarising the outcome of the 2018/19 internal audit plan will be presented to this Committee after the year-end.
- 1.5 A summary of the internal audit plan for 2019/20 is shown below and the detailed plan is shown as Appendix 2.

## Internal Audit Plan 2019/20

Summary	Audit Days
Main Financial Systems	153
Other Operational Audits	144
Computer / IT Related	20
Fraud and Corruption/ NFI Key Contact	10
Corporate / Cross Cutting	116
Special Investigations & Contingency	25
Audit Committee / Client Liaison	15
<b>Grand Total</b>	<b>483</b>

- 1.6 The plan has been prepared taking into account the following factors:-
- The organisational objectives and priorities;
  - Local and national issues and risks;
  - The requirement to produce an annual internal audit opinion;
  - The organisations assurance framework;
  - An update of the internal audit risk assessment exercise covering the financial control and other procedures subject to audit;
  - The fraud risk register;
  - The Council's strategic risk register and
  - The views of the Strategic Directors, the Assistant Director Finance and Revenues and Benefits and the Strategic Alliance Management Team.
- 1.7 Resource availability has been based on the Consortium Business Plan for 2019/20. The plan allocates 483 days to Bolsover District Council which is the same allocation as for 2018/19.
- 1.8 A copy of the audit plan is provided to the Council's external auditor to assist in co-ordination of work programmes.

### **2.0 Conclusions and Reasons for Recommendations**

- 2.1 To ensure that a risk based audit plan is adopted and to determine the internal audit work programme for 2019/20.
- 2.2 To comply with 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 Financial – the internal audit budget for 2019/20 has been approved by the Joint Board and includes a contingency to cover any unforeseen circumstances etc.

5.1.2 Risk management issues – no formula exists that can be applied to determine internal audit coverage needs. However, as a guide the minimum level of coverage is that required to give an annual evidence-based opinion on internal controls. The level of coverage provided by the proposed 2019/20 internal audit plan will be sufficient upon which to base an opinion.

### 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 Internal Audit Plan for 2019/20 be agreed.

## 7 Decision Information

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000 <input type="checkbox"/></i> <i>Capital - £150,000 <input type="checkbox"/></i> <i>NEDDC: Revenue - £100,000 <input type="checkbox"/></i> <i>Capital - £250,000 <input type="checkbox"/></i> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>Has the relevant Portfolio Holder been informed</b>	N/A
<b>District Wards Affected</b>	All
<b>Links to Corporate Plan priorities or Policy Framework</b>	All



## 8 Document Information

Appendix No	Title
1	Internal Audit Plan – Background Note
2	Draft Internal Audit Plan 2019/20
<b>Background Papers</b> (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)	
Report Author	Contact Number
Jenny Williams Internal Audit Consortium Manager	01246 217547

**INTERNAL AUDIT PLAN****BACKGROUND NOTE****1. Definition of Internal Audit**

Internal Audit is defined in the Public Sector Internal Audit Standards as:

“.. an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

**2. The Purpose of Internal Audit**

Internal audit is not a substitute for management. It is the purpose of internal audit to assist and support management by appraising the arrangements and procedures established.

There is also a statutory requirement for internal audit in local government contained in the Accounts and Audit Regulations 2015. These regulations require the authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking in to account public sector internal auditing standards and guidance.

**3. The Difference between Internal Audit and External Audit**

External audit is completely independent of the authority. Much of the external auditors’ work is determined by statutory responsibilities. Internal audit’s terms of reference are determined and approved by management.

However, there is nevertheless scope for co-operation to avoid duplication of work and to make maximum use of audit resources.

**4. The Scope of Internal Audit Work**

One of the essential elements for effective internal auditing is that the internal auditor should adequately plan, control and record their work.

To determine priorities and to assist in the direction and control of audit work the internal auditor will prepare a plan based on a risk assessment.

The audit plan is divided into the following sections: -

- **Main Financial Systems**

This covers the fundamental accounting and income collection systems of the authority such as payroll, creditor payments, council tax etc. Most of these systems are reviewed on an annual basis due to their importance.

- **Other Operational Audits**  
Audits to be undertaken in services include a review of the controls and procedures in place for areas such as Taxi Licensing and Refuse Collection.
- **IT Related**  
Topics in this area of the plan include a review of Members IT Equipment. IT issues are also covered within most areas examined.
- **Fraud and Corruption**  
Audits specifically related to the prevention of fraud and corruption are covered in this area of the plan. It should be noted that a significant number of audits include an anti-fraud element e.g. income audits.
- **Cross Cutting Issues**  
This area of the plan includes audit subjects that cover all services or are corporate Issues. Examples include work on Health and Safety and Safeguarding.
- **Special Investigations**  
A contingency provision is included in the plan to cover the investigation of irregularities or cases of suspected fraud and other problems.

## 5. **Delivering the Internal Audit Service**

A three year strategic audit plan is compiled based on an internal audit risk assessment of auditable areas. This risk assessment takes into account the following factors:

- Materiality – the amount of funds passing through the system
- Control Environment / vulnerability – assessed level of control based on previous audit findings
- Sensitivity – profile of the system in relation to customer service
- Management concerns – any specific issues relating to the operation of the system e.g. Council's Strategic Risk Register

Using a scoring system, audits are then categorised as High, Medium or Low risk. This ranking is then used to compile the annual audit plan.

The areas of audit work set out in the agreed plan are split into individual audit assignments.

An audit assignment can involve:

- preparation of system notes and a review/analysis of system controls;
- extraction of background information;
- extraction and testing of sample transactions and controls;
- notes of interviews and meetings.

All work undertaken is recorded on detailed working papers. To ensure that all areas have been covered and appropriate conclusions reached, all working papers are independently reviewed.

A report on the findings and recommendations arising from the audit is sent to the Chief Executive, appropriate Director and to the Assistant Director Finance and Revenues and

Benefits (as Client Officer) at the conclusion of the audit. A response to the recommendations is requested within a set time.

A summary of internal audit reports issued each quarter is reported to the Audit Committee and an Annual Report is submitted after the end of the year detailing the outcome of the audits completed.

## Appendix 2

### Bolsover District Council Internal Audit Plan 2017/18 – 2019/20

Bolsover District Council Internal Audit Plan 2017/18 – 2019/20							
	<b>Main Financial Systems</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Priority</b>	<b>Last Review</b>	<b>Risk Factor</b>
	Main Accounting/Budgetary Control	15	0	<b>15</b>	M	Biennial	Failure to produce a reliable set of accounts, no control over spending, (Strategic Risk 2)
	Payroll	15	20	<b>12</b>	H	Annual	Employees are paid incorrectly, there are ghost employees in the system
	Creditor Payments	20	15	<b>15</b>	H	Annual	Incorrect or fraudulent payments are made
	Debtors	15	10	<b>10</b>	H	Annual	Loss of income, fraud
	Treasury Management	10	15	<b>10</b>	H	Annual	Misappropriation of funds, poor investment decisions
	Cash and Banking	18	0	<b>18</b>	M	Biennial	Loss of income, theft
	Council Tax	10	10	<b>0</b>	H	Annual	Loss of income, fraud
	Non Domestic Rates	20	10	<b>10</b>	H	Annual	Loss of income, fraud
	Housing / Council Tax Benefits	20	20	<b>18</b>	H	Annual	Reputational damage, fraud
	Housing Rents	12	12	<b>20</b>	H	Annual	Loss of income, fraud
	Housing Repairs	20	20	<b>20</b>	H	Annual	Reputational damage, health and safety risks
	VAT	0	8	<b>5</b>	M	16/17	Incorrect treatment of VAT can lead to financial penalties
	<b>Total Main Financial Systems</b>	<b>175</b>	<b>175</b>	<b>153</b>			

	<b>Other Operational Audits</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>Priority</b>	<b>Last review</b>	
	Central Garage/Transport	10	10	<b>15</b>	H	17/18	Poor Fleet Management, fraud
	Clowne Leisure Centre	25	20	<b>15</b>	M	17/18	Loss of income / theft
	Commercial Waste	0	10	<b>0</b>	L	15/16	Loss of income
	Current Contract Procedures	15	0	<b>0</b>	M	17/18	Poor contract management, fraud
	Elections	0	0	<b>10</b>	L	11/12	Incorrect payments
	Environmental Health Food Hygiene	8	0	<b>0</b>	L	17/18	Public Health risk
	Environmental Health - Other Licences	0	8	<b>0</b>	L	13/14	Loss of income/ safeguarding issues
	Environmental Health - Taxi Licences	8	0	<b>10</b>	M	17/18	Safeguarding issues, safety issues
	E.H Misc income – Pest Control Dog Warden	0	8	<b>0</b>	L	13/14	Loss of income
	Expenses and Allowances	0	10	<b>0</b>	L	15/16	Incorrect / fraudulent payments
	Extreme Wheels	0	8	<b>0</b>	L	New	Safety risk, theft
	Facilities Management	0	0	<b>12</b>	M	New	Poor VFM, Fraud
	Flytipping	0	4	<b>0</b>	L	New	Reputational Damage
	FOI/Env info Regs	0	8	<b>0</b>	L	14/15	Non- compliance with FOI Act
	Final Accounts	5	6	<b>6</b>	M	Annual	Incorrect payments, fraud
	Gas Servicing	0	12	<b>0</b>	M	16/17	Safety risk, reputational issues
	Homelessness	0	0	<b>12</b>	L	16/17	Reputation, public welfare
	Housing Allocations and Lettings	15	0	<b>0</b>	M	17/18	Reputational risk, fraud
	Housing Building Company	11	12	<b>0</b>	M	17/18	Financial and Reputational risks
	Insurance	0	10	<b>0</b>	M	16/17	Wrong cover levels and type, fraudulent claims
	Land Charges	8	0	<b>0</b>	L	17/18	Loss of income
	Members Expenses	0	0	<b>10</b>	L	15/16	Fraud, reputational risk
	Partnership Working	0	15	<b>0</b>	L	12/13	Mis – use of funds
	Planning Fees	0	10	<b>0</b>	M	16/17	Loss of income/ fraud
	Pleasley Mills/Property Rents	10	0	<b>15</b>	M	17/18	Loss of income, fraud
	Pleasley Vale Outdoor Centre	0	12	<b>0</b>	L	15/16	Safety risks, income loss
	Refuse Collection	0	0	<b>12</b>	L	13/14	Reputational Risk
	Right to Buy Sales	0	10	<b>0</b>	M	16/17	Fraud
	Section 106	0	13	<b>0</b>	M	16/17	Loss of income/fraud/ reputational

							damage, failure to complete projects
Sheltered Housing	0	0	15	M	17/18		Fraud, reputational risk
Street Cleaning	0	0	0	L	16/17		Reputational damage
Stores	0	15	0	M	16/17		Theft, poor contract management
The Tangent	0	10	12	M	18/19		Poor admin / loss of income
<b>Total Operational Audits</b>	<b>115</b>	<b>211</b>	<b>144</b>				
<b>Computer and IT Related</b>							
BACS	0	0	0	L	16/17		False Payments/fraud
Cyber Security / Network Security / Systems Security	15	8	10	H	18/19		Attack on Council systems (Strategic risk 6)
Disaster Recovery	0	8	0	M	15/16		Failure to restore data in a timely manner
IT Inventory / Disposal of equipment	0	8	0	L	15/16		Data breach, theft
Members IT Equipment	0	0	10	L			Theft, misuse
<b>Total Computer and IT related</b>	<b>15</b>	<b>24</b>	<b>20</b>				
<b>Cross Cutting Areas</b>							
Asset Management Arrangements	10	0	0	M	17/18		Poor value for money, assets not fit for purpose
Compliance Audit – Gas and Electric etc.	0	8	12	M	New		Safety of workforce and public
Corporate Governance and AGS	10	2	2	H	Annual		Poor Governance (Strategic Risk 8)
Data Protection	10	0	0	M	17/18		Mis- use of data, large fines (Strategic Risk 3)
Emergency Planning	0	0	10	L	16/17		Public Safety (Strategic Risk 6)
Financial Advice / Working Groups	20	12	12	H	Annual		Appropriate controls not in place
Health and Safety	0	10	10	H	16/17		Risk of injury, death (Strategic Risk 8)
IR35	0	0	5	M	New		Underpayments
Performance Management/ Corporate Targets	10	0	10	M	17/18		Poor Governance (Strategic Risk 8)
Procurement/ credit cards	18	0	15	M	17/18		Fraud, poor value for money

	Recruitment and Selection	0	10	0	M	15/16	Fraud, poor appointments
	Risk Management	10	0	10	M	17/18	Failure to identify and mitigate risks (Strategic risk 8)
	Safeguarding	10	0	8	M	17/18	Public safety, reputational risk (Strategic Risk 10)
	Transformation Agenda	0	0	10	H	New	Failure to meet savings/transformation targets
	Use of Consultants / Agency Staff	0	0	12	L		Poor VFM, reputational risk
	<b>Total Cross Cutting Areas</b>	<b>98</b>	<b>42</b>	<b>116</b>			
	<b>Fraud and Corruption</b>	<b>17/18</b>	<b>18/19</b>	<b>19/20</b>	<b>Priority</b>	<b>Last Review</b>	<b>Risk Factor</b>
	Fraud Modules	10	0	0	L	17/18	Fraud
	Money Laundering	0	4	0	L	14/15	Fraud
	Gifts and Hospitality	0	5	0	L	13/14	Fraud, bribery
	<b>Total</b>	<b>10</b>	<b>9</b>	<b>0</b>			
	Special Investigations/Contingency	40	30	25	H	Annual	Fraud, loss of income
	Alliance Accounts/NFI Key contact	20	12	10	N/A	Annual	Fraud
	Audit Committee / Client Officer Liaison	15	15	15	H	Annual	Non compliance with Public Sector Internal Audit Standards
	<b>Planned Total Days</b>	<b>483</b>	<b>483</b>	<b>483</b>			



**Bolsover District Council**

**Audit Committee**

**16th April 2019**

<p><b><u>Internal Audit Consortium Summary of Progress on the Annual Internal Audit Plan</u></b> <b><u>2018/2019</u></b></p>
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**Report of the Internal Audit Consortium Manager**

This report is public

**Purpose of the Report**

- To present, for members' information, progress made by the Audit Consortium in respect of the 2018/19 Internal Audit Plan. The report includes a summary of Internal Audit Reports issued since the last meeting of the committee.

**1 Report Details**

- 1.1 The 2018/19 Consortium Audit Plan for Bolsover District Council was agreed at the Audit Committee on the 10th April 2018. The Consortium Legal Agreement in paragraph 9.3 requires that the Head of the Internal Audit Consortium (HIAC) or his or her nominee will report to the Audit Committee of each Council on progress made in relation to their annual Audit Plan.
- 1.2 Attached, as **Appendix 1**, is a summary of reports issued between the 19<sup>th</sup> January 2019 and the 5<sup>th</sup> April 2019. 6 reports have been issued, 4 with substantial assurance and 2 with reasonable assurance.
- 1.3 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.
- 1.4 The appendix shows for each report a summary of the level of assurance that can be given in respect of the audit area examined and the number of recommendations made / agreed where a full response has been received.
- 1.5 The assurance provided column in **Appendix 1** gives an overall assessment of the assurance that can be given in terms of the controls in place and the system's ability to meet its objectives and manage risk in accordance with the following classifications:

<b>Assurance Level</b>	<b>Definition</b>
<b>Substantial Assurance</b>	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
<b>Reasonable Assurance</b>	The majority of controls are in place and operating effectively, although some control improvements are required. The system should achieve its objectives. Risks are generally well managed.
<b>Limited Assurance</b>	Certain important controls are either not in place or not operating effectively. There is a risk that the system may not achieve its objectives. Some key risks were not well managed.
<b>Inadequate Assurance</b>	There are fundamental control weaknesses, leaving the system/service open to material errors or abuse and exposes the Council to significant risk. There is little assurance of achieving the desired objectives.

:

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

1.7 The following audits are currently in progress:

- Flytipping
- Dragonfly Building Company
- Disaster Recovery
- Extreme Wheels
- Procurement

## **2 Conclusions and Reasons for Recommendation**

2.1 To inform Members of progress on the Internal Audit Plan for 2018/19 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 None.

## **5      Implications**

### **5.1    Finance and Risk Implications**

- 5.1.1 The regular reporting of the progress made by the Internal Audit Consortium enables Members to monitor progress against the approved internal audit 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**

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC:      Revenue - £75,000    <input type="checkbox"/></i> <i>              Capital - £150,000    <input type="checkbox"/></i> <i>NEDDC: Revenue - £100,000 <input type="checkbox"/></i> <i>              Capital - £250,000    <input type="checkbox"/></i> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>Has the relevant Portfolio Holder been informed</b>	N/A
<b>District Wards Affected</b>	All
<b>Links to Corporate Plan priorities or Policy Framework</b>	All

**Document Information**

Appendix No	Title
1	Summary of Internal Audit reports issued in respect of the 2018/19 Internal Audit Plan 19 <sup>th</sup> January 2019 to the 5 <sup>th</sup> April 2019
<b>Background Papers</b> (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)	
Report Author	Contact Number
Jenny Williams Internal Audit Consortium Manager	01246 217547

# **BOLSOVER DISTRICT COUNCIL**

Appendix 1

## **Internal Audit Consortium - Report to Audit Committee**

### **Summary of Internal Audit Reports Issued 19th January 2019 – 5<sup>th</sup> April 2019**

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B030	Expenses and Allowances	To ensure that claims are authorised, checked and paid promptly and accurately	Reasonable	23/01/19	13/2/19	7 (5M 2L)	7
B031	Creditors	To ensure that invoices are paid promptly and accurately and are supported by an official order	Substantial	23/01/19	13/2/19	0	0
B032	Commercial Waste	To ensure that invoices are raised promptly and accurately and that there are debt collection procedures in place and that the service is promoted	Substantial	19/2/19	12/3/19	3L	3
B033	Housing Benefits and Council Tax Support	To ensure that Benefits are paid promptly and accurately	Substantial	19/2/19	12/3/19	2L	2

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B034	Premises and Personal Licences	To ensure that all licences are granted promptly and accurately and that the relevant checks have been undertaken	Reasonable	19/3/19	9/4/19	7L	Note 1
B035	Cash and Banking	To review and assess the procedures in place and ensure that all income is banked promptly and accurately	Substantial	19/3/19	9/4/19	1L	Note 1

Note 1 – response not due at time of writing report

**Bolsover District Council**

**Audit Committee**

**16<sup>th</sup> April 2019**

<b><u>Annual Governance Statement 2018/19</u></b>
---

**Report of the Head of Corporate Governance and Monitoring Officer**

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 2018/19.
- To review the Local Code of Corporate Governance.
- 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. 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

- 1.2 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 Code of Corporate Governance which is attached as Appendix 2.
- 1.3 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.
- 1.4 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
- 1.5 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. 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 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 2018/19 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 and the Strategic Alliance Management Team (SAMT). Officers are of the view that this work 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 and 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 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.
- 1.9 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 Joint Chief Executive Officer 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 Committee's 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.

### **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**

- 5.1.1 There are no financial implications arising directly from this report.

#### **Risk**

- 5.1.2 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**

- 5.2.1 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**

- 5.3.1 None arising directly from this report.

## **6 Recommendations**

- 6.1 That Audit Committee consider the draft Annual Governance Statement as set out in Appendix 1 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.

## 7 **Decision Information**

<b>Is the decision a Key Decision?</b> A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC:      Revenue - £75,000    <input type="checkbox"/></i> <i>Capital - £150,000    <input type="checkbox"/></i> <i>NEDDC: Revenue - £100,000</i> <i>Capital - £250,000</i> <i>* Please indicate which threshold applies</i>	No
<b>Is the decision subject to Call-In?</b> (Only Key Decisions are subject to Call-In)	No
<b>Has the Portfolio Holder been consulted?</b>	Yes
<b>District Wards Affected</b>	All
<b>Links to Corporate Plan priorities or Policy Framework</b>	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	Draft Annual Governance Statement 2018/19
2	Code of Corporate Governance (May 2019)
3	Assurance Schedule – Based upon CIPFA / SOLACE Guidance.
4	Memorandum to the Signatories of the Annual Governance Statement.
<b>Background Papers</b> (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)	
Report Author	Contact Number
Sarah Sternberg – Head of Corporate Governance and Monitoring Officer.	01246 242414

## **ANNUAL GOVERNANCE STATEMENT 2018/19**

### **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. The 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, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and for facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Bolsover District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government Framework 2016 edition*. This Statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015 which require 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, together with those activities through which it accounts to, engages with and leads the local community. 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 throughout the year ended 31 March 2019 and up to the date of the approval of the 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 extended the Corporate Plan for a further year to enable the development of a new

Corporate Plan. 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, changes to the Constitution and other matters (such as whistle blowing) assigned to it.

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 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 the Council's 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, and with 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 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 Council, Executive, Committees and Scrutiny are available to residents on the website or in hard copy, articles in the Council's newsletter 'In Touch' which is distributed four 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 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 Council, Executive and Committees 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 2015. The Council is fully compliant with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The Council's Chief Financial Officer is professionally qualified, is a full member of the Strategic 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 1<sup>st</sup> 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 1<sup>st</sup> April 2013. 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.

Internal 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 the Council's external auditor – KPMG until June 2018, then Mazars. 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 Internal Audit Consortium Manager is responsible for the delivery of an annual audit opinion that can be used by the Council to inform its governance system. The annual opinion concludes on the overall adequacy and effectiveness of the Organisation's framework of Governance, risk management and control.

In her opinion reasonable assurance can be provided on the overall adequacy and effectiveness of the Council's framework for governance, risk management and control for the year ended 2018/19.

Assurance can never be absolute. In this context "reasonable assurance" means that arrangements are in place to manage key risks and to meet good governance principles, but there are a few areas where improvements are required.



Overall 94% of the areas audited received substantial or reasonable assurance demonstrating that there are effective systems of governance, risk management and control in place.

There were 2 limited assurance reports issued during the year (Health and Safety and Property Services Compliance). Management have agreed the recommendations and have either implemented them or are working towards implementing them.

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

- There is a Constitution in place which provides a formal Governance framework, with decisions taken in an open and accountable fashion. Internally, Executive decisions are subject to Scrutiny. 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 Strategic 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 2018/19 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 relation to Fire Safety checks, the housing owned by the Council does not contain any stock of 18 metres high or above.

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 Chesterfield Borough Council. 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 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 operating with a joint management team. Joint Working is now operational within most services, although only Environmental Health is operating on the basis of a fully shared service hosted by North East Derbyshire District Council. 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 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 2017/18 Accounts. This letter which was reported to the Council meeting on 25th September 2018 gave an unqualified opinion in respect of both the published accounts and the Value for Money conclusion.

### **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 2018/19 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:

The issues where the Council is considered to be marginal in terms of meeting good practice are outlined in the table below.

With regard to the issues identified in the previous Annual Governance Statement (2017/18) the Council has continued to effectively manage its budget position. Concerns in respect of the delivery of the Local Plan have been allayed with the Local Plan being submitted having been through the Examination process. On the basis of the progress made in addressing the issues identified in the previous Annual Governance Statement it seems reasonable to conclude that the Council's current arrangements are effective in addressing governance and performance issues.

<b>Issue Identified</b>	<b>Action to Address</b>
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 £4.4m over the next four years) are not secured then the Council will be forced to reduce expenditure in a relatively	The Council has developed a Transformation Programme which includes measures to deliver the efficiency gains necessary to operate within its underlying level of resources. This includes income generation and business re-design opportunities. The achievement of these efficiencies is monitored on a regular basis by Executive. While appropriate steps are being taken it needs to

<p>uncontrolled fashion which will impact upon both the quality of services to local residents, and on the internal control environment.</p>	<p>be recognised that the efficiency targets are challenging, in part they are dependent upon partnership working and may 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.</p>
<p>Failure of the Local Plan to progress to submission stage and to be found sound at independent examination.</p>	<p>The Council is at an advanced stage in preparation of the Local Plan. The Council submitted the Local Plan and the Examination has taken place. The outcome is awaited although some feedback has been given and some modifications proposed.</p> <p>The greatest risk to any Plan at this stage is that it could be found to be unsound on a point of law, or it fails to demonstrate that it has been positively prepared and is justified. However, there has been no indication from the Inspector that the Plan requires significant change to make it sound or legally compliant.</p> <p>The Council has taken reasonable steps in the preparation of the Plan to ensure that it is based on sound evidence and meets procedural and legal requirements. This has included taking external legal advice both before and during the Examination.</p>
<p>Failure to recruit a Joint Head of Finance and Resources who is section 151 Officer/Chief Financial Officer.</p>	<p>The Council is reviewing its position having advertised the position once and failed to recruit. This is actively happening at the time of writing this Annual Governance Statement and so an outcome cannot be reported.</p> <p>However temporary arrangements are in place, with the Chief Accountant taking the statutory role and the Director of People taking on management responsibilities for the Department</p>

	and the SIRO role. The Monitoring Officer is contributing to maintenance of the role's responsibilities including by taking on responsibility for this statement.
Brexit affects the operation of the services provided by the Council and the lives of people in the District.	Preparations are well under way to deal with both issues for the public and for the Council's Services. This is being done in conjunction with the LRF (Local Resilience Forum) and includes weekly appraisals of the latest situation.
Failure to maintain sufficient resources and capacity in strategic areas.	The Council considers its requirements on a regular basis and is about to commence a programme of services reviews throughout the Council.

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 2019**

## 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 2019 in respect of the 2018/19 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 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 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 2019

**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**

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

**Position at BDC**

The Constitution, the Member and Officer Codes of Conduct, the Whistleblowing Policy, 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 Members' and Officers' Codes 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>
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>See above. The Council has active Standards and Audit Committees, Council meetings, Scrutiny Committees 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>
Leading by example and using the above standard operating principles or values as a framework for decision making and other actions	<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 Council and Executive reports the quality assurance process is the Chief Executive, Directors, Monitoring Officer and Chief Financial and section 151 Officer, while for Delegated Decisions the originating officer and the responsible Director, the Chief Financial Officer 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 a Constitutional requirement 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 Committee reports</p>

	<p>are referenced against Corporate Plan priorities.</p> <p>The Council has an active Standards Committee 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.</p> <p>A Whistleblowing Policy is in place and actively promoted covering both Members / Employees / third parties.</p> <p>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.</p> <p>Codes of Conduct require interests to be declared and these are recorded in Committee minutes.</p>
<p><b>Demonstrating Strong Commitment to ethical values.</b></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 Committee 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.</p> <p>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>

<b>Respecting the rule of law</b>	
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 undertake 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 ensuring 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 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. Bolsover TV has just commenced transmission.
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

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	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.
Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement	See above.
Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	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.
Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account	The outcome of consultation exercises is reported appropriately to Members to ensure that consultation informs service delivery and the decision making process.
Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	The Council's Communication and Engagement Strategy are delivered by experienced Officers who work to ensure a balanced and inclusive approach.
Taking account of the impact of decisions on future generations of tax payers and service user	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.

**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

<b>Defining Outcomes</b>	<b>Position at BDC</b>
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 (extended for 2019-20 whilst a new Corporate Plan is developed). 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 Plan 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 which covers both Strategic and Service risks and is linked to the Performance Framework. The format of Council, Executive and Committee reports ensures 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 Plans 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 economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	See above
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.

<b>Determining Interventions</b>	<b>Position at BDC</b>
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 mechanisms 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, including shared risks	Partnership and Risk arrangements are reviewed on a regular basis within the 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.

<b>Developing the entity's capacity</b>	<b>Position at BDC</b>
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 e.g. 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.
<b>Developing the capability of the entity's leadership and other individuals</b>	
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	This is set out in the Council's Constitution which reflects recognised good practice.

those reserved for the collective decision making of the governing body	
Ensuring the leader and the chief executive have clearly defined and 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	Roles and Responsibilities are defined in the Council's Constitution and in Job Descriptions.
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>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, and other mechanisms. For Members an induction process is provided after District Council elections and by 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>
Ensuring that there are structures in place to encourage public participation	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.

Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections	The Executive is responsible for overseeing the delivery of Council services and is held to account by the Council, by Scrutiny, by Audit Committee and Standards Committee. Alongside internal challenge there is a wider public challenge 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 1s 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 Executive 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 an Internal Audit report the allocation of responsibilities for managing risks in Service Risk Plans will be strengthened.
<b>Managing Performance</b>	<b>Position at BDC</b>
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 Council, Executive or 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 function 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 recommendations are supported by robust evidence, data and critical analysis. Where appropriate Scrutiny reports are referred to Executive for its consideration. An annual Scrutiny Committees report is provided 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 2018/19 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 and suitably qualified data protection officer.
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.
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### **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. 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 provided to Council, to Executive 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 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.
Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.	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.

### **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 2018/19 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 2018/19 financial year the Council has addressed the issues identified within the AGS in respect of 2017/18 (agreed May 2018). The further issues that have been identified during the course of this year are set out in the Action Plan in respect of 2018/19 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 2018/19 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..

*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 within the Council's Constitution. 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 / Executive 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, 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 extended to 2020. 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 annual 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 Chief Financial Officer 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 are 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 Executive 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 and 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 Code 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 Executive 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".

*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 undertakes 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 People 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 Executive and Council set out progress in each of the key partnerships and help ensure that managerial arrangements remain robust.

## **APPENDIX 4**

### **DRAFT MEMORANDUM TO THE SIGNATORIES OF THE ANNUAL GOVERNANCE STATEMENT**

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

As the Chair of the Audit Committee and the Council’s Responsible Financial and Legal officers we have given appropriate consideration to the Governance Statement that is attached. We are satisfied that it meets the requirements 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 and latterly Mazars (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 Head of Finance & Resources (S151 Officer) and the Monitoring 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 16th April 2018.

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.

Duncan McGregor  
Chair of the Audit Committee

Theresa Fletcher  
Chief Financial Officer

Sarah Sternberg  
Monitoring Officer