



To: Chair & Members of the Audit Committee

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Monday, 18th November 2019

Dear Councillor

AUDIT COMMITTEE

You are hereby summoned to attend a meeting of the Audit Committee of the Bolsover District Council to be held in the Council Chamber, The Arc, Clowne on Tuesday, 26th November, 2019 at 14:00 hours.

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 from page 2 onwards.

Yours faithfully

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

Joint Head of Corporate Governance & Monitoring Officer

The logo for Bolsover District Council, featuring the word "Bolsover" in a large, black, serif font, with "District Council" in a smaller, black, sans-serif font below it. A black swoosh underline is positioned beneath the text.

We speak your language
Polish **Mówimy Twoim językiem**
Slovak **Rozprávame Vaším jazykom**
Chinese **我们会说你的语言**

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AUDIT COMMITTEE AGENDA

Tuesday, 26th November, 2019 at 14:00 hours in the Council Chamber, The Arc, Clowne

Item No.	PART 1 – OPEN ITEMS	Page No.(s)
1.	Apologies For Absence	
2.	Urgent Items of Business	
	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.	Declarations of Interest	
	Members should declare the existence and nature of any Disclosable Pecuniary Interest and Non Statutory Interest as defined by the Members' Code of Conduct in respect of:	
	a) any business on the agenda	
	b) any urgent additional items to be considered	
	c) any matters arising out of those items	
	and if appropriate, withdraw from the meeting at the relevant time.	
4.	Minutes	3 - 9
	To consider the minutes of the last meeting held on 29 th July 2019.	
	<u>REPORTS OF THE COUNCIL'S EXTERNAL AUDITOR MAZARS</u>	
5.	Report of External Auditor - Annual Audit letter 2018/19	10 - 26
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10.	Strategic Risk Register and Partnership Arrangements	86 - 100
	<u>REPORT OF THE HEAD OF FINANCE AND RESOURCES</u>	
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12.	Committee Work Programme 2019/20	111 - 115

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in the Council Chamber, The Arc, Clowne, on Monday 29th July 2019 at 1400 hours.

PRESENT:-

Members:-

Councillor Tom Munro in the Chair

Councillors Jim Clifton and Chris Kane.

Officers:- Lee Hickin (Joint Strategic Director – People), Theresa Fletcher (Chief Accountant and Section 151 Officer), Steve Yates (Senior Auditor) and Donna Cairns (Senior Governance Officer).

Also in attendance at the meeting was Mike Norman (Mazars, the Council's External Auditors).

0183. APOLOGY

Apologies for absence had been received on behalf of Councillors David Dixon and Tom Kirkham and Ruth Jaffray (Co-opted Member).

0184. URGENT ITEMS OF BUSINESS

There were no urgent items of business considered at the meeting.

0185. DECLARATIONS OF INTEREST

Members were requested to declare the existence and nature of any disclosable pecuniary interests and/or other interests, not already on their register of interests, in any item on the agenda and withdraw from the meeting at the appropriate time.

There were no declarations of interest made.

0186. MINUTES – 16th APRIL 2019

Moved by Councillor Tom Munro and seconded by Councillor Jim Clifton

RESOLVED that the Minutes of the meeting of Audit Committee held on 16th April 2019 be approved as a correct record.

AUDIT COMMITTEE

REPORT OF THE COUNCIL'S EXTERNAL AUDITOR

0187. AUDIT COMPLETION REPORT

Committee considered the report of the Council's External Auditors Mazars which set out the findings from the audit of the Council for the financial year ending 31st March 2019.

The report outlined the detailed findings from the auditors work on the financial statements and their conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 of the report also included conclusions on the audit risks and areas of management judgement in the Audit Strategy Memorandum which included:

Significant Audit Risks

- Management override of controls
- Valuation of property, plant and equipment (PPE), investment properties (IP) and assets held for sale (AHFS)
- Valuation of net defined benefit liability

Key Judgement Areas:

- Provision for business rate appeals against the rating list
- Minimum revenue provision (MRP)

Mazars had not identified any material errors or uncertainties in the financial statements in relation to management override of controls and no material errors in the financial statements had been identified.

All local authorities had been affected by an accounting issue that impacted the value of pension liabilities. Two on-going legal cases (Guaranteed Minimum Pensions and McCloud/Sergeant) had created uncertainty over whether pension liabilities were fairly stated. The Council's actuary (via the Pension Fund) did not make an allowance in its actuarial valuation for either of these cases and early guidance given to councils was that the impact would not be material. The Council therefore prepared the financial statements on this basis. In the auditor's view, these cases gave rise to at least a constructive obligation to be recognised under IAS 19 Employee Benefits. As a result the Council obtained a revised valuation from the Pension Fund via its actuarial expert incorporating these two issues.

This updated valuation report was received in July 2019 and included material differences to the original report used to prepare the draft financial statements. The Council was to amend the draft financial statements for these differences.

The report detailed the material misstatements that had been amended in the final financial statements. These stemmed from the Pension Fund revised valuation. There were no unadjusted misstatements above the level of the trivial threshold of £63k.

The audit procedures in relation to the Council's provision for business rate appeals and in relation to the Council's Minimum Revenue Provision had not identified any material errors or uncertainties in the financial statements.

AUDIT COMMITTEE

As part of the audit, the internal controls in place relevant to the preparation of the financial statements were considered and not significant control deficiencies were identified.

The issues in respect of the valuation of the Pension Liability was a complex area, which required third party input. Within the compressed reporting deadlines this presented some challenges to all parties in completing the final accounts and the audit. Mazars were to discuss with the Council's management team the impact of these issues and any other matters arising in relation to the audit fee. The Audit Committee would be updated if a fee variation application would be required.

The auditors reported that they anticipated issuing an unqualified opinion in respect of the amended financial statements; an unqualified value for money opinion and a conclusion that the authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditors identified areas to keep under close review including: financial sustainability and the Council's Commercial Property Investment Strategy.

The draft Auditor's Report stated that in their opinion the financial statements gave a true and fair view of the financial position of Bolsover District Council as at 31st March 2019 and of its expenditure and income for the year; and they had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

A draft Letter of Representation to be sent from the Section 151 Officer to the Auditors was attached to the report. Mazars confirmed that this letter need only be signed by the Section 151 Officer, but with the Committee's authorisation.

Moved by Councillor Jim Clifton and seconded by Councillor Chris Kane
RESOLVED that -

- (i) the Audit Completion Report be noted.
- (ii) the Letter of Representation, at Appendix 1 to the report, be approved and the Chief Accountant and Section 151 Officer be authorised to sign the letter on behalf of the Council.

(Chief Accountant and Section 151 Officer)

REPORTS OF THE INTERNAL AUDIT CONSORTIUM MANAGER **0188. INTERNAL AUDIT CONSORTIUM 2018/19 ANNUAL REPORT TO** **BOLSOVER DISTRICT COUNCIL**

Committee considered a report of the Internal Audit Consortium Manager which gave a summary of the internal work undertaken during 2018/19 and gave an opinion on the overall adequacy and effectiveness of the Council's control environment. 39 reports had been issued in the year with 95% of reports achieving substantial or reasonable assurance.

AUDIT COMMITTEE

There were two limited assurance reports during the year – Health and Safety and Property Services compliance. Management had agreed the recommendations and had either implemented them or were working towards implementing them. Both areas were also on the Audit Plan for 2019/20 to be revisited.

In the report the Internal Audit Consortium Manager had given her opinion that reasonable assurance could be provided on the overall adequacy and effectiveness of the Council's framework for governance, risk management and control for the year 2018/19.

No matters arising from internal audit were recommended to be implemented in the Annual Governance Statement. Although there were two limited assurance reports, sufficient progress had been made on the implementation of the recommendations.

In relation to the 2018/19 Internal Audit Plan, 98% of the planned audits had been completed and reported on. The remaining audit on the dog warden service was deferred to 2019/20 and the audit on housing repairs (voids) was also postponed. In its place an audit of cash and bank took place.

The Internal Audit Consortium's performance against its performance indicators was detailed in the report.

The report also confirmed the arrangements for compliance with the Public Sector Internal Audit Standards and other quality assurance results.

It was considered that the Audit Charter requirements had been met during the year.

Moved by Councillor Tom Munro and seconded by Councillor Jim Clifton
RESOLVED that the Internal Audit Consortium Report for 2018/19 be noted.

(Internal Audit Consortium Manager)

0189. SUMMARY OF PROGRESS ON THE ANNUAL INTERNAL AUDIT PLAN 2018/19 AND 2019/20

Committee considered a report of the Internal Audit Consortium Manager which presented progress made by the Internal Audit Consortium in respect of the Internal Audit Plans 2018/19 and 2019/20.

There were four final reports issued in respect of the 2018/19 Internal Audit Plan and two reports issued in respect of the 2019/20 Internal Audit Plan up to 28th June 2019.

Six reports were referred to in this report in total, 3 with substantial assurance and 3 with reasonable assurance.

Moved by Councillor Jim Clifton and seconded by Councillor Chris Kane
RESOLVED that the report be noted.

(Internal Audit Consortium Manager)

AUDIT COMMITTEE

0190. IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

Committee considered a report of the Internal Audit Consortium Manager which presented a summary of the internal audit recommendations made and implemented for the financial years 2016/17 – 2018/19.

This report was to inform the Committee of the progress made in respect of the implementation of internal audit recommendations. This was to ensure that the risk of fraud and error would be reduced and that internal controls operate effectively.

The recommendations were categorised as high, medium or low priority. In 2016/17, 66 recommendations had been made and 100% had been implemented.

In 2017/18, 78 recommendations had been made and 99% had been implemented. The one recommendation that was overdue was classed as medium priority and related to Food Hygiene Enforcement.

In 2018/19, 115 recommendations had been made, 72 of which were due to have been implemented by this stage. 79% of those had been implemented so far. 43 of the recommendations were not yet due. 15 recommendations were overdue. These related to risk management (4), money laundering (6), transport (2), health and safety (3).

Details of the outstanding recommendations and the steps taken by the relevant managers to progress these actions were appended to the report.

Moved by Councillor Tom Munro and seconded by Councillor Jim Clifton
RESOLVED that the report be noted.

(Internal Audit Consortium Manager)

REPORTS OF THE CHIEF ACCOUNTANT AND SECTION 151 OFFICER

0191. BOLSOVER DISTRICT COUNCIL – STATEMENT OF ACCOUNTS 2018/19

The Committee considered the report of the Chief Accountant and Section 151 Officer which presented the audited Statement of Accounts for 2018/19.

The outturn position for the Council had previously been reported to Executive and Budget Scrutiny Committee. The External Auditors, Mazars, had been conducting the audit during May, June and July. The Audit Completion Report was considered earlier at this meeting.

It was recommended that authority be delegated to the Section 151 Officer, in consultation with the Chair and Vice-Chair of Audit Committee, to agree any final changes to the Statement of Accounts relating to amendments agreed with the external auditors, Mazars.

AUDIT COMMITTEE

Moved by Councillor Chris Kane and seconded by Councillor Jim Clifton
RESOLVED that Audit Committee:

- (i) approve the audited Statement of Accounts in respect of 2018/19.
- (ii) grant delegated authority to the Chief Financial Officer in consultation with the Chair or Vice Chair of the Audit Committee to agree any changes agreed with the Council's external auditors Mazars, which may be necessary to ensure the completion of the Statement of Accounts by 31 July 2019.

(Chief Accountant and Section 151 Officer)

0192. COMMITTEE WORK PROGRAMME 2019/20

The Committee considered the report of the Chief Accountant and Section 151 Officer which set out the proposed work programme for the municipal year 2019/20.

The proposed work programme was appended to the report. There were some items in the programme which must be approved at specific meetings such as the approval of the Statement of Accounts but there was also flexibility allowed with other regular items. Matters could also be added or removed as appropriate throughout the year.

Moved by Councillor Tom Munro and seconded by Councillor Chris Kane
RESOLVED that the Committee endorse the Work Programme for 2019/20 as attached to the report.

(Chief Accountant and Section 151 Officer)

REPORT OF THE JOINT STRATEGIC DIRECTOR - PEOPLE

0193. STRATEGIC RISK REGISTER AND PARTNERSHIP ARRANGEMENTS

Committee considered a report of the Joint Strategic Director – People in relation to the Council's Strategic Risk Register as at 31st March 2019.

The report ensured that Committee were kept informed concerning the Council's latest position regarding Risk Management and Partnership working and were able to exercise effective influence on the Council's Risk Management arrangements. The report was to be considered by Executive at its meeting on 16th September 2019.

There were no new risks added to the Strategic Risk Register since the last review in December 2018, however the risks and mitigation continued to be monitored by the Senior Management Team and Portfolio Holders at quarterly performance meetings.

AUDIT COMMITTEE

It was proposed that a comprehensive review of the Council's Risk Management Framework be undertaken to ensure that the continued effective and systematic management of risk is achieved. The Strategic Director – People informed Members that he intended to produce a new Risk Management Strategy as part of this review and that a Member-lead Risk Management Group would be proposed to oversee the Strategy and policies/documents sitting below it.

Audit Committee had no recommendations on the proposal to make at this time but requested that the Strategy and proposals be brought back to Audit Committee prior to approval.

Moved by Councillor Jim Clifton and seconded by Councillor Tom Munro
RESOLVED that the report be noted.

(Joint Strategic Director - People)

The meeting concluded at 1443 hours

Bolsover District Council

Audit Committee

26th November 2019

<u>Annual Audit Letter – 2018/19</u>

Report of the Council's External Auditor Mazars

This report is public

Purpose of the Report

- For Audit Committee to consider the Annual Audit Letter in respect of 2018/19 (**Appendix 1**) which has been prepared by Mazars for consideration by elected Members of the Council and other stakeholders.

1 Report Details

- 1.1 That Audit Committee consider **Appendix 1** from the Council's External Auditor, Mazars.

2 Conclusions and Reasons for Recommendation

- 2.1 To ensure that Audit Committee is able to effectively consider the outcomes of the work undertaken by the Council's external auditors.

3 Consultation and Equality Impact

- 3.1 None arising directly from this report.

4 Alternative Options and Reasons for Rejection

- 4.1 A copy of the Annual Audit Letter is available on the Council's website and will be included on the Council agenda for 15th January 2020. Together with inclusion on this Audit Committee Agenda these measures should help ensure an appropriate level of consideration by Elected Members and other stakeholders.

5 Implications

5.1 Finance and Risk Implications

There are no additional financial implications arising from this report.

5.2 Legal Implications including Data Protection

None arising directly from this report.

5.3 Human Resources Implications

None arising directly from this report.

6 Recommendations

- 6.1 That Audit Committee considers and notes **Appendix 1**, the report from the Council's External Auditor, Mazars.

7 Decision Information

Is the decision a Key Decision? 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:</i> <i>Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC:</i> <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
Has relevant Portfolio Member been informed?	Yes
District Wards Affected	None directly
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title	
1	Annual Audit Letter 2018/19	
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)		
Report Author		Contact Number
Chief Accountant and S151 Officer		01246 242458

Annual Audit Letter

Bolsover District Council

Year ending 31 March 2019





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1. Executive summary
2. Audit of the financial statements
3. Value for Money conclusion
4. Other reporting responsibilities
5. Our fees
6. Forward look

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Bolsover District Council for the year ended 31 March 2019. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 31 July 2019 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Council's financial position as at 31 March 2019 and of its expenditure and income for the year then ended; and• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
Other information published alongside the audited financial statements	<p>Our auditor's report issued on 31 July 2019 included our opinion that:</p> <ul style="list-style-type: none">• The other information in the Statement of Accounts is consistent with the audited financial statements.
Value for Money conclusion	<p>Our auditor's report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.</p>
Reporting to the group auditor	<p>In line with group audit instructions issued by the NAO, on 31 July 2019 we reported to the group auditor in line with the requirements applicable to the Council's WGA return.</p>
Statutory reporting	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements	Unqualified
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The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council’s financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor’s report, issued to the Council on 31 July 2019, stated that, in our view, the financial statements give a true and fair view of the Council’s financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2019:

Financial statement materiality	Our financial statement materiality is based on 2% of Gross Revenue Expenditure at a Surplus/Deficit on Provision of Services level	£1,464k
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£44k
Specific materiality	We have applied a lower level of materiality to the following areas of the accounts: - Officers remuneration (bandings) - Members allowances - Audit Fees	£5k £92k £10k

2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit Committee within the Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
Management override of controls 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.	We addressed this risk by: <ul style="list-style-type: none">• Documenting 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;• Testing the appropriateness of journal entries recorded in the general ledger and other material adjustments made in the preparation of the financial statements;• Evaluating the business rationale for any significant transactions outside the course of the business;• Understanding the oversight given by those charged with governance of management process over fraud;• Making enquiries of management and Internal Audit regarding actual or any suspicions of fraud; and• Considering whether the Council's accounting policies are consistent with industry standards.	There are no matters arising from our work on management override of controls
Valuation of property, plant and equipment and investment properties The Council employs a valuation expert to provide information on revaluations, however there remains a high degree of estimation uncertainty associated with the revaluations of PPE due to the significant judgements and number of variables involved.	We addressed this risk through performing the following audit work: <ul style="list-style-type: none">• Testing a sample of assets valued during the year to valuation reports;• Where material, testing the basis for impairment of assets, the value and correct accounting treatment;• Critically assessing the Council's valuer's scope of work and methodology used for a sample of valuations; and• Considering the impact of any assets not valued during the year.	We are satisfied the estimates were reasonable and materially correct.

2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<p>Valuation of defined benefit pension net liability</p> <p>The Council's accounts contain material liabilities relating to the Local Government Pension Scheme (LGPS). 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>To address this risk we:</p> <ul style="list-style-type: none">• Reviewed 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 included comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office;• Agreed the data in the IAS 19 valuation reports provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements;• Critically assessed the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Hymans Robertson; and• Liaised with the auditors of the Derbyshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included 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.	<p>The Council obtained an updated IAS19 valuation report from the Actuary in July 2019, to take into account:</p> <ul style="list-style-type: none">- the implications of the GMP and McCloud judgments, which impacted on the estimated pension liabilities and had not been taken into account by the Actuary in their original report; and- changes to the Pension Fund's asset values at 31 March 2019, as the Actuary's original report had been based on a forecast year-end valuation. <p>The report included material differences to the original report used to prepare the draft financial statements. Management amended the draft financial statements for these differences.</p> <p>We are satisfied that the final estimates included in the financial statements are reasonable and materially correct.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. The matters we report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. We have not identified any significant control deficiencies that we are required to report to you.

3. VALUE FOR MONEY CONCLUSION

Value for Money conclusion	Unqualified
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Our approach to Value for Money

We are required to consider 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 in order to form our conclusion, and sets out the 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
- Working with partners and other third parties

Our auditor's report, issued to the Council on 31 July 2019, stated that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2019.

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money 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. In our Audit Completion Report we reported that we had not identified any significant Value for Money risks but we set out our findings in relation to two areas which we had kept under 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 was revisiting its budget and setting up a transformation team and programme which is expected to generate proposals to bridge the gap. We needed 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 were being 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 needed to keep a watching brief on these activities.

Before forming our Value for Money Conclusion we:

- Reviewed the 2018/19 financial performance and forecasts during the year and considered the Council's financial outturn position as presented in the financial statements.
- Reviewed the 2019/20 Revenue and Capital budgets and Medium Term Financial Plan, Treasury Management Strategy, incorporating the Minimum Revenue Provision Policy and Capital and Investment Strategies
- Considered the Council's latest financial monitoring information and its updated medium term outlook
- Discussed the Transformation Programme arrangements with managers and reviewed progress monitoring reports
- Continued to monitor steps taken in relation to the commercial property investments and confirmed that there are no significant matters relevant to our VFM conclusion.



3. VALUE FOR MONEY CONCLUSION

Value for Money conclusion	Unqualified
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The Council recognises the key issues are achieving efficiencies to balance its medium term financial plan, in the face of demand and cost pressures, and managing its general reserves to a level that ensures it remains financially resilient and able to deliver sustainable services. The Medium Term Financial Plan (MTFP) sets out the key assumptions on both income and expenditure as well as the savings required over the period. The 2018/19 Derbyshire Business Rates Pilot has provided a gain of around £1.7m and the £8.3m 'Transformation' reserve provides the Council with a platform for the next 12-18 months important to deliver the transformation required to secure long term financial sustainability. The Transformation Programme is broad based and includes themes designed to strengthen the organisation's capacity and capability to escalate the delivery of the specific improvements and efficiencies required in the medium term. There are programme and project management arrangements in place and progress is being tracked. The identification and delivery of savings will continue to be challenging and further work is in hand to firm up specific saving plans for 2020/21 and beyond. The outcome of the Fair Funding review will help inform the Council's plans.

From the work performed, no new significant VFM risks were identified.



4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Reporting to the NAO in respect of Whole of Government Accounts consolidation data	Assurance Statement submitted
Other information published alongside the audited financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- Issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 31 July 2019.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.

5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the Audit Committee in April 2019.

We have completed our work for the 2018/19 financial year, including the additional work required relating to the material amendments to the Pension estimates included in the Financial Statements as described at page 5. The final fee for the audit is subject to PSAA approval and has not been confirmed yet:

Area of work	2018/19 proposed fee	2018/19 final fee*
Delivery of audit work under the NAO Code of Audit Practice	£38,046	£38,046*

* the final fee for the 2018/19 audit has not been confirmed yet.

Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.

6. FORWARD LOOK

Audit Developments

Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. We have responded to the National Audit Office's consultation on the content of the Code (<https://www.nao.org.uk/code-audit-practice/about-code/>)

A new Code will be laid in Parliament in time for it to come in to force no later than 1 April 2020.

Financial Resilience

Fair Funding Review

The Council will need to incorporate the outcome of the Spending Review, due in the latter half of 2019, into its Medium Term Financial Plan. The Spending Review will set out the department allocations for 2020/21 and potentially beyond. Regardless of the timing and period covered by the Spending Review, the Council recognises the key issue is the management of general reserves to a level that ensures it remains financially resilient and able to deliver sustainable services. It must, therefore, ensure it clarifies and quantifies how it will bridge the funding gap through planned expenditure reductions and/ or income generation schemes.

Local Authority Financial Resilience Index

CIPFA is moving forward with its financial resilience index, which it believes will be a barometer on which local authorities will be judged. We would expect the Council to have at least considered the index once it is formally released.

Commercialisation

The National Audit Office will be publishing a report on Commercialisation during 2019. Depending on the Council's appetite for Commercialisation, we would expect the Council to consider the outcome of the report and ensure any lessons learnt are incorporated into business practice.

Further, the UK Debt Management Office's Annual Report, published on 23 July 2019, reported that, as at 31 March 2019, the Public Works Loan Board's loan book was £78.3 billion with 1,308 new loans totalling £9.1 billion advanced during the year. As a result, we expect local authorities to clearly demonstrate:

- the value for money in the use of Public Works Loan Board funds to acquire commercial property
- the arrangements for loan repayment through the updated Statutory Guidance on Minimum Revenue Provision in 2019/20, 2020/21 and beyond.

Financial Reporting

UK Local Government Annual Accounts

The CIPFA/LASAAC Local Authority Code Board specifies the financial reporting requirements for UK local government. A consultation is underway to inform the direction and strategy for local government annual accounts. We will be submitting our response and suggest practitioners also voice their opinion.

Lease accounting

The implementation of IFRS 16 Leases in the Code is delayed until 1 April 2020. The Council will need a project plan to ensure the data analysis and evaluation of accounting entries is completed in good time to ensure any changes in both business practice and financial reporting are captured.



6. FORWARD LOOK

Financial outlook

It is clear that the Council faces some of the most difficult decisions it has ever faced in balancing the budget going forwards. Although the Council does have reserves available to minimise the immediate impact these are a temporary or transitional cushion while the savings needed are identified and delivered.

In addition, the reserves available to support the budget are reducing and the available balances will soon reach the minimum needed to deal with unforeseen circumstances and risk, and will not be available to support the revenue budget in the way that they have in recent years. The key message from those councils that have already faced a financial crisis, such as Northamptonshire and others, is the importance of taking early action to secure financial sustainability before the position becomes unmanageable.

The position beyond 2019/20 is very uncertain as much depends on the outcome of the comprehensive spending review, fair funding review and the measures that will be taken in relation to the future operation of the business rates system. However, it seems unlikely that the overall financial position for the Council will improve sufficiently to allow it to defer any of the difficult decisions that are now needed.

Decisive action to bridge the budget gap over the medium term is a key priority for the Council.

How we will work with the Authority

We will focus our work on the risks that your challenges present to your financial statements and your ability to maintain proper arrangements for securing value for money.

In the coming year we will continue to support the Council by:

- continued liaison with the Council’s Internal Auditors to minimise duplication of work;
- attending Audit Committee meetings and presenting an Audit Progress Report including updates on regional and national developments; and
- hosting events for staff, such as our Local Government Accounts workshop.

We will meet with key Council officers to identify any learning from the 2018/19 audit and will continue to share our insights from across local government and relevant knowledge from the wider public and private sector.

In terms of the technical challenges that officers face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise.

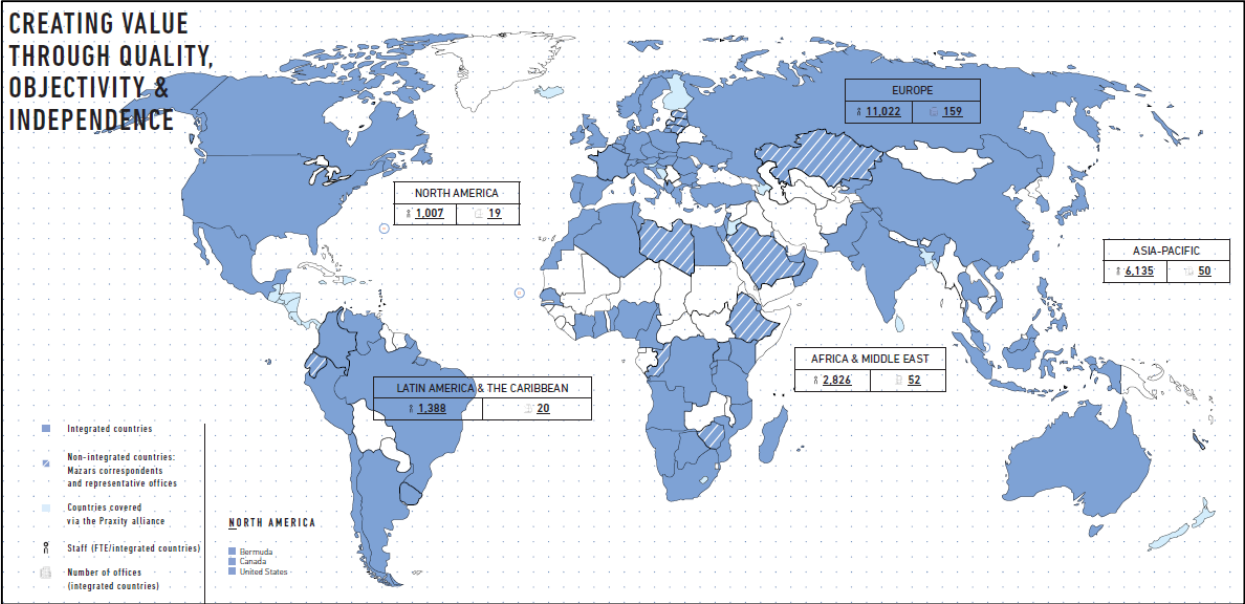
The Council has taken a positive and constructive approach to our audit and we wish to thank Members and officers for their support and co-operation during our audit.

MAZARS AT A GLANCE

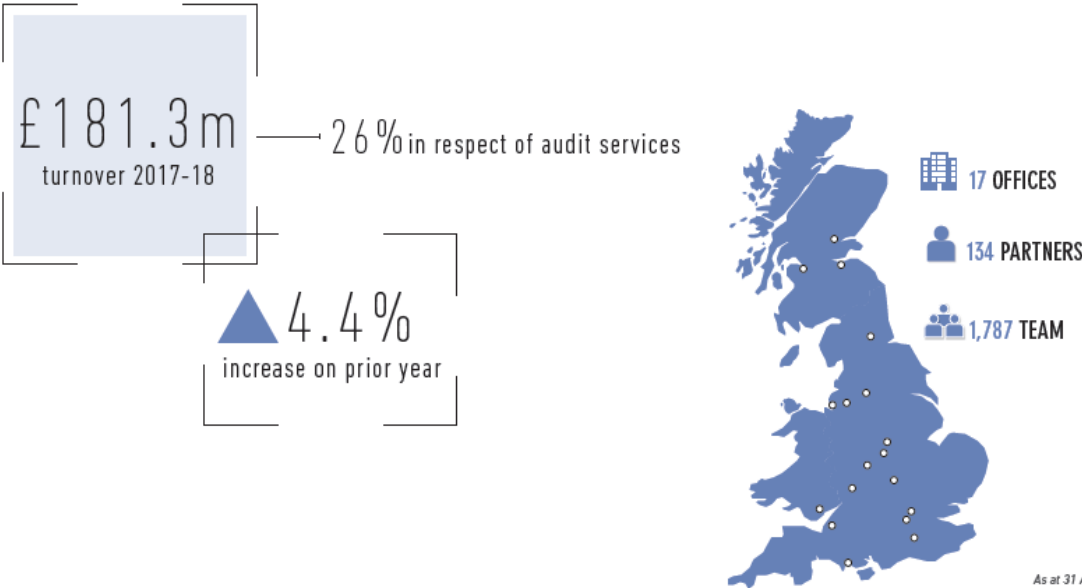
Mazars LLP

- Fee income €1.6 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand

Mazars Internationally



Mazars in the UK



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Audit Committee Progress Report – November 2019

Bolsover District Council

Year ending 31 March 2020





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Audit Progress

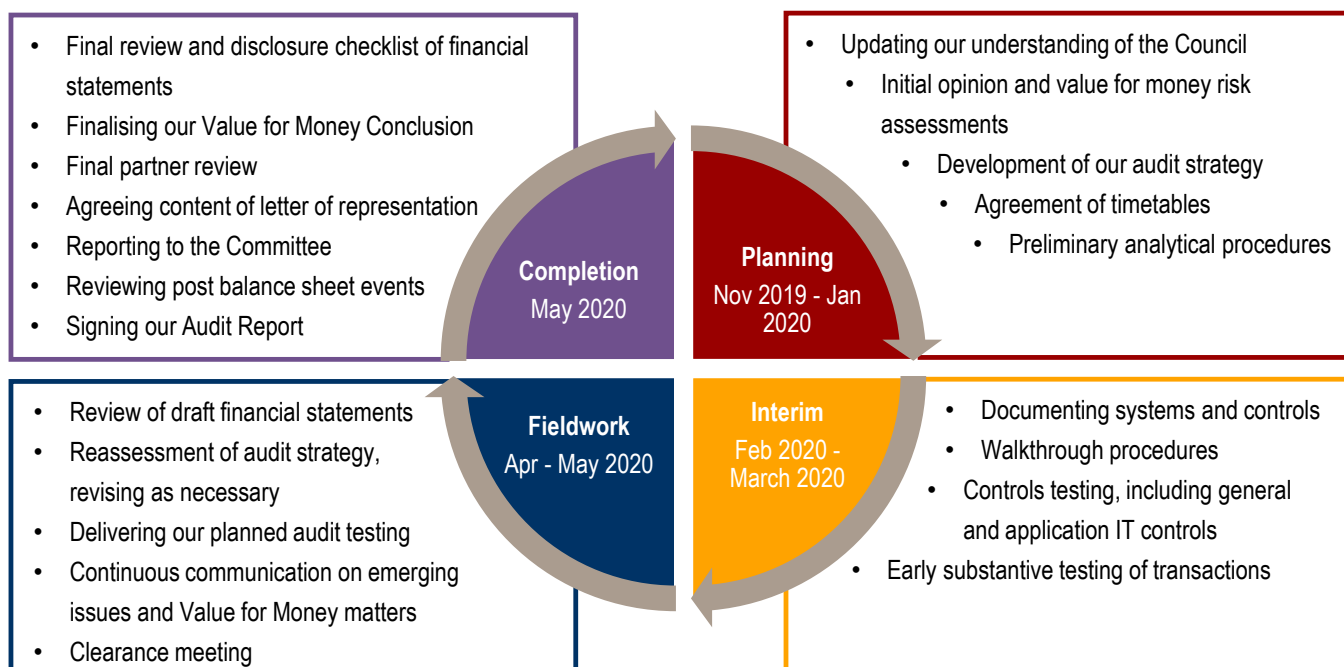
Appendix A – Technical Update

1. AUDIT PROGRESS

This is our first progress report in respect of the 2019/20 audit year. The report includes updates for the Committee on the progress on our audit of the Council and other non audit work, and our usual summary of recent relevant technical and sector publications.

Audit of the accounts and Value for Money Conclusion

We have been holding our normal planning meetings with senior managers to inform our risk assessments and to update our understanding of the current priorities and challenges the Council faces. Our provisional timetable of work is set out in the diagram below. On completion of the planning and risk assessment work we will bring our Audit Strategy Memorandum to the Audit Committee for consideration. Our risk assessment process will continue throughout the year.



Based on our planning work to date we do not expect the profile of the accounts audit risks to be significantly different to that reported in our previous year's Audit Strategy Memorandum, with the audit risks and areas of management judgement likely to again include:

- Management override of controls
- Valuation of land and buildings
- Valuation of pension liabilities

We expect our Value for Money risk assessment to again be focused on the Council's arrangements for sustainable resource deployment and its medium term budget pressures.

At this stage, there are no matters arising from our planning work to date which we are required to report to the Committee.

Non Audit Work

We have been engaged to carry out the Reporting Accountant's report work on the Council's 2018/19 Pooling of Housing Capital Receipts Return. The fee for this work is £4,000 and the reporting deadline is 7 February 2020. The work is in progress and there are no matters arising that we need to report to the Committee at this stage.

2. NATIONAL PUBLICATIONS

This section includes, for the Committee's information, summaries of recent technical and other sector publications which we believe are relevant to your broader responsibilities. The reports covered in this appendix, and the key messages, are:

	Publication/update	Key points
National Audit Office (NAO)		
1.	Guidance for Audit Committees on 'Cloud' services	Outlining cloud services and their use in government, this guide suggests questions to ask at planning, implementation and management stages.
2.	Local Enterprise Partnerships: an update on progress	This report follows up the NAO's 2016 report and provides their latest assessment of the current arrangements.
3.	Support for children with special educational needs and disabilities in England	While some children with special educational needs and disabilities (SEND) are receiving high-quality support, many others are not getting the help they should. Local authorities are coming under growing financial pressure as the demand for supporting school pupils with the greatest needs rises.
4.	Consultation – new Code of Audit Practice from 2020	The second stage of consultation is to take place in the second half of 2019. New Code to take effect from 2020/21.
5.	Exiting the EU: supplying the health and social care sectors	This report examines the progress made by DHSC – working with other government departments, NHS and social care providers, and with private sector suppliers – in implementing the Continuity of Supply Programme. It sets out DHSC's plan and records the progress made.
Chartered Institute of Public Finance and Accountancy (CIPFA)		
6.	Local Government Chief Finance Officers losing confidence in ability to deliver services	CIPFA's survey found that Local authority CFOs were less confident in their organisation's future financial positions than they were in 2018/19.
7.	CIPFA launches new Financial Management Code	The new Code is the first from the Institute in almost 15 years, and brings together many areas of local government financial management into one place.

2. NATIONAL PUBLICATIONS

	Publication/update	Key points
Local Government Association (LGA)		
8.	Outcomes from the Counter Fraud Fund	This report sets out the outcomes from the Counter Fraud Fund (CFF), established by the Ministry for Housing, Communities and Local Government (MHCLG), for which councils were able to bid in the autumn of 2014.
9.	A Councillor's guide to Digital Connectivity	Explores the main issues and challenges facing local areas and guidance from experienced councillors who have already undertaken work to get their communities better connected. It also provides a brief overview of Government policy and a glossary of widely used terms.
10.	A Councillor's guide to Procurement	Includes a toolkit that enables councils to set their own objectives and measure their own progress.
Ministry of Housing, Communities and Local Government		
11.	Review of local authority financial reporting and external audit	Announcement of a wide ranging review of financial reporting and external audit in the sector
Public Sector Audit Appointments Ltd		
12	Local Audit Quality Forum	Slides from the latest event and notification of the next meeting 25 November 2019
13	Local Government audit opinions issued by 31 July 2019	Press release relating to the increase in delays in issuing audit opinions

2. NATIONAL PUBLICATIONS

1. Guidance for Audit Committees on Cloud based services, April 2019

Outlining cloud services and their use in government, this guide suggests questions to ask at planning, implementation and management stages.

Public and private sector organisations are increasingly adopting cloud services with the aims of reducing costs, increasing efficiency and transforming their operations. Government policy supports this move but recognises that accessing systems through the internet can bring new contracting models and new challenges. Some organisations may lack the capacity or expertise to select the right product for their needs, implement it securely and manage it effectively.

The guidance provides an overview of cloud services and outlines government policy on their use. It then sets out specific questions for audit committees to consider asking when engaging with their management at three stages:

Assessment of cloud services – looking at cloud services as part of organisational and digital strategies; the business case process; and due diligence.

Implementation of cloud services – considering system configuration; data migration; and service risk and security.

Management of cloud services – covering operational considerations; the need for assurance from third parties; and the capability needed to manage live running.

The guidance points to and complements detailed cloud guidance available elsewhere.

<https://www.nao.org.uk/report/guidance-for-audit-committees-on-cloud-services/>

2. Local Enterprise Partnerships: an update on progress, May 2019

This report sets out:

- changes to the role and remit of LEPs since we last reported in 2016 (Part One);
- the Department's and LEPs' progress with strengthening governance, assurance and transparency (Part Two); and
- funding spent through LEPs to date and future funding arrangements (Part Three).

With the significant amount of public funding now delivered through LEPs and the recent failure of the GCGP LEP, there is a clear rationale for more demonstrable good governance in LEPs and better oversight by the Department. We recognise the inherent tension the Department faces in developing a system of governance over a delivery model based on the devolution of funding and responsibilities to ad hoc, business-led partnerships. The Department has responded by implementing the recommendations of the Ney Review and some of those made by the Committee. While the assurance framework is stronger, backed up by checks on compliance, it is not proven yet whether these measures will be effective in detecting and responding to governance failures over significant sums of public money.

The Department's accounting officer is accountable for the Local Growth Fund delivered through LEPs. However, the Department has made no effort to evaluate the value for money of nearly £12 billion in public funding, nor does it have robust plans to do so. The Department needs a grip on how effectively these funds are used. It needs to act if it wants to have any hope of learning the lessons of what works locally for future interventions in local growth, including the new UK Shared Prosperity Fund.

<https://www.nao.org.uk/report/local-enterprise-partnerships-an-update>

2. NATIONAL PUBLICATIONS

3. Support for pupils with special educational needs and disabilities in England, September 2019

While some children with special educational needs and disabilities (SEND) are receiving high-quality support, many others are not getting the help they should, according to the National Audit Office (NAO). Local authorities are coming under growing financial pressure as the demand for supporting school pupils with the greatest needs rises.

In its report, the NAO estimates that the Department for Education (DfE) gave local authorities £9.4 billion to spend on support for pupils with SEND in 2018-19 – 24.0% of their total core grant for schools. While the DfE has increased school funding, the number of pupils identified as having the greatest needs – those in special schools and with education, health and care plans (EHC plans)¹ in mainstream schools – rose by 10.0% between 2013-14 and 2017-18. Over the same period, funding per pupil dropped by 2.6% in real terms for those with high needs, and also decreased for those without EHC plans.

Local authorities are increasingly overspending their budgets for children with high needs. In 2017-18, 81.3% of councils overspent compared with 47.3% in 2013-14. This is primarily driven by a 20% increase in the number of pupils attending special schools instead of mainstream education. Local authorities have also sharply increased the amount they spend on independent special schools – by 32.4% in real terms between 2013-14 and 2017-18. In some cases, this is due to a lack of appropriate places at state special schools.

In response to overspending against these budgets, local authorities are transferring money from their budgets for mainstream schools to support pupils with high needs. They are also using up their ringfenced school reserves, which have dropped by 86.5% in the last four years. This is not a sustainable approach.

Stakeholders in the sector have raised concerns that the demand for special school places is growing because the system incentivises mainstream primary and secondary schools to be less inclusive. Mainstream schools are expected to cover the first £6,000 of support for a child with SEND from existing budgets and cost pressures can make them reluctant to admit or keep pupils with SEND. Another barrier is that schools with high numbers of children with SEND may also appear to perform less well against performance metrics.

Pupils with SEND, particularly those without EHC plans, are more likely to be permanently excluded from school than those without SEND. Pupils with SEND accounted for 44.9% of permanent exclusions in 2017/18. Evidence also suggests that pupils with SEND are more likely to experience off-rolling – where schools encourage parents to remove a child primarily for the school's benefit – than other pupils.

While Ofsted has consistently rated over 90% of state special schools as good or outstanding, most pupils with SEND attend mainstream schools. Short Ofsted inspections of 'good' mainstream schools are not designed to routinely comment on SEND provision, so provide limited assurance of its quality.

The NAO has also raised questions about the consistency of support across the country as there are substantial unexplained variations between different local areas. Joint Ofsted and Care Quality Commission inspections indicate that many local areas are not supporting children as effectively as they should be.

The NAO recommends that the DfE should assess how much it would cost to provide the system for supporting pupils with SEND created by the 2014 reforms and use this to determine whether it is affordable. The Department needs better measures of the effectiveness of SEND support in preparing pupils for their adult lives and should make changes to funding and accountability arrangements to encourage and support mainstream schools to be more inclusive. It should also investigate the reasons for local variations to increase confidence in the fairness of the system, identify good practice and promote improvement.

Since the report was completed, on Friday 6 September, the DfE announced a review of support for pupils with SEND.

<https://www.nao.org.uk/press-release/support-for-pupils-with-special-educational-needs-and-disabilities-in-england/>

2. NATIONAL PUBLICATIONS

4. Consultation – new Code of Audit Practice from 2020, NAO, May 2019

The NAO is now consulting on the draft text of the new Code of Audit Practice. The consultation is open to everyone and information about how to respond can be found in the consultation document. The consultation will close on 22 November 2019.

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

NAO is now consulting on the draft text of the new Code and it has published a consultation document, which highlights the key changes to each chapter of the draft Code. The consultation document and a copy of the draft Code can be found at the links below.

The consultation is open until 22 November 2019.

NAO plans to finalise the Code by the end of 2019, ready to be laid in Parliament early in 2020. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards.

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>

5. Exiting the EU: supplying the health and social care sectors, September 2019

Given the pace of DHSC's work, the report does not reach a final conclusion on the value for money of DHSC's response. Nevertheless, the NAO considers it important to record now where DHSC has got to as it takes forward these preparations and to set out the remaining areas of risk.

The report finds that DHSC has done a great deal of work to prepare for a no-deal exit. It identified several high-risk areas and took steps to fill gaps in the information it held, for example on the reliance of supplies on the short Channel crossings. It worked effectively with stakeholders in the medicines industry to understand the challenges they face in the event of a no-deal exit and to address them, for example by providing additional warehouse capacity. However, there remains a significant amount to do before 31 October, in particular to ensure that:

- government has a full picture of preparedness across the supplier base;
- sufficient cross-government freight capacity is in place; and
- social care providers such as nursing homes are fully prepared.

The report concludes that in the event of a no-deal exit, DHSC would be working in a highly uncertain environment and operating all the elements of its plan would be a hugely demanding task.

<https://www.nao.org.uk/report/exiting-the-eu-supplying-the-health-and-social-care-sectors/>

2. NATIONAL PUBLICATIONS

6. Local Government Chief Finance Officers losing confidence in ability to deliver services, July 2019

Local authority CFOs are less confident in their future financial positions than they were in 2018/19 reveals new research from the Chartered Institute of Public Finance and Accountancy (CIPFA) today. Seventy per cent of respondents to CIPFA's CFO Confidence Survey reported they were either slightly less or much less confident in their financial position for 2020/21 than they were in 2018/19.

Sixty eight per cent said they were either slightly less or much less confident in their ability to deliver services for the same time period.

The majority of respondents (62%) reported equal confidence in their financial position for 2019/20 as they had in 2018/19.

The survey also showed that the area of greatest pressure for top tier authorities remains children's social care, with the number of authorities rating it the most high pressure area rising by six percentage points since the last survey in 2017.

Adults' social care was the area of second highest pressure. The greatest pressures for district authorities were housing, cultural services, and environmental services.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/local-government-chief-finance-officers-losing-confidence-in-ability-to-deliver-services>

7. CIPFA launches new Financial Management Code, October 2019

CIPFA has launched its Financial Management (FM) Code, to drive improvement in financial management for councils across the United Kingdom.

The new Code is the first from the Institute in almost 15 years, and brings together many areas of local government financial management into one place. It follows extensive engagement with senior leaders in public finance from across the country.

The FM Code is based on a set of standards and principles, including organisational leadership, transparency, assurance and sustainability. Its aim is to place financial management at the heart of policy and decision making in local government.

Although the FM Code comes into effect from April 2020, in recognition of the pressures facing local authorities, 2021/22 will be the first full compliance year for the Code. This allows authorities a shadow year to work towards full implementation.

CIPFA will be providing support and guidance over the next 12 months to aid this process.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-launches-new-financial-management-code>

2. NATIONAL PUBLICATIONS

8. Outcomes from the Counter Fraud Fund, July 2019

The Local Government Association (LGA) worked with the Chartered Institute of Public Finance and Accountancy (CIPFA) to capture the learning from the 60 successful bids from 52 lead authorities in terms of both how the fund was developed and managed at the local level together with the links with other relevant agencies (including MHCLG); the impact of the programme to date; and any lessons and insights that could be gained from participating councils that could feed into future activity in this area.

This report brings together the conclusions from the analysis provided by the CIPFA survey and provides an overview of activity, highlighting themes that run within or across projects as a whole, an indication of the extent of the savings accruing from activity made possible through the counter fraud fund and losses/costs avoided or recovered, together with some case studies. It also summarises the key findings from four projects looking specifically at the potential threat from serious and organised crime to publicly procured services in local government, sponsored by the Home Office.

<https://www.local.gov.uk/outcomes-counter-fraud-fund>

9. A Councillor's guide to Digital Connectivity, October 2019

This guide is structured to provide councillors with key information on digital connectivity. It explores the main issues and challenges facing our local areas and includes hints, tips and case studies from experienced councillors who have already undertaken work to get their communities better connected. It also provides a brief overview of Government policy and a glossary of widely used terms. Finally, it sets out the vital role councillors can play in this area by:

- educating residents, voluntary and third-sector groups and businesses on the benefits of faster, more reliable connectivity
- bringing communities together to advocate for improved digital connectivity by applying for grants or aggregating their demand to persuade telecommunications providers to build the necessary infrastructure on their road
- helping residents consider where it is most appropriate to build new digital infrastructure, such as a phone mast, to improve residents' and businesses' connectivity whilst conserving local landscapes
- working in partnership with council portfolio holders, officers and other local stakeholders to consider the role your council can play in helping to improve communities' digital connectivity.

<https://www.local.gov.uk/councillors-guide-digital-connectivity-0>

10. A Councillor's guide to Procurement, October 2019

The LGA worked closely with councils to develop the National Procurement Strategy 2018 and a toolkit that enables councils to set their own objectives and measure their own progress. The National Procurement Strategy puts the councillor role front and centre and this guide has been produced specifically with councillors in mind. It looks at the roles councillor's play – both executive members and those engaged in overview and scrutiny work – and provides hints and tips on how to get the best out of procurement and contract management. Just as in the national strategy the focus is on delivering the council's objectives. Councillors do not need to be procurement professionals. But they do need to be able to ask the right questions and that is where this guide comes in.

<https://www.local.gov.uk/councillors-guide-procurement-2019-edition>

2. NATIONAL PUBLICATIONS

11. Review of local authority financial reporting and external audit

The independent review led by Sir Tony Redmond is seeking views on the quality of local authority financial reporting and external audit. This consultation closes at 5pm on 20 December 2019

This call for views invites views, information and evidence on, in particular:

- definitions of audit and its users
- the expectation gap
- audit and wider assurance
- the governance framework
- audit product and quality
- auditor reporting
- how local authorities respond to audit findings
- the financial reporting framework

The call for views is aimed at anyone with a direct or indirect interest in local authority audit and financial reporting

<https://www.gov.uk/government/consultations/review-of-local-authority-financial-reporting-and-external-audit-call-for-views>

12. Local audit quality forum June 2019 slides

The local audit quality forum meeting place in which all of the parties which share a responsibility for audit quality can share experiences and good practice. The June 2019 slides are now available. The forum addressed 'practical help for Audit Committees', including the following:

- what should the Audit Committee look for in the financial statements?
- what is it like being an Audit Committee Chair;
- support for Audit Committees from CIPFA;
- how can Internal Audit help the Audit Committee to deliver its remit;
- support from the Local Government Association for Audit Committees; and
- new Code of Audit Practice consultation.

The next Forum meeting is in November 2019. Local bodies, including Lincolnshire County Council, who have opted into PSAA's national scheme are entitled to attend LAQF events free of charge (up to two delegates per body).

<https://www.psaa.co.uk/wp-content/uploads/2019/06/10-07-19-LAQF-Presentation-Slides.pdf>

13. Local Government audit opinions issued by 31 July 2019, August 2019

PSAA issued a press release after the end of the 2018/19 audit deadline to highlight the increase in the number of audit opinions that were not available by 31 July 2019. Reporting an increase in the number of opinions not available, the press release highlights the factors that have driven the increase in delays.

<https://www.psaa.co.uk/2019/08/news-release-local-government-audit-opinions-delivered-by-31-july-2019/>

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Bolsover District Council

Audit Committee

26th November 2019

Implementation of Internal Audit Recommendations

Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

- To present, for members' information, a summary of the internal audit recommendations made and implemented for the financial years 2016/17 - 2019/20 to date.

1 Report Details

- 1.1 This report is to inform Members of the Audit Committee of the progress made in respect of implementing internal audit recommendations in order that action can be taken if progress is deemed unsatisfactory. The implementation of internal audit recommendations is also monitored quarterly at Directorate meetings and monthly by the Strategic Alliance Management Team.
- 1.2 Appendix 1 details the outstanding internal audit recommendations as at the 8th of November 2019. The front page of the Appendix provides an analysis of the number of recommendations made and implemented for the financial years 2016/17 – 2019/20 to date.
- 1.3 The timely implementation of internal audit recommendations helps to ensure that the risk of fraud and error is reduced and that internal controls are operating effectively.

2 Conclusions and Reasons for Recommendation

- 2.1 To inform Members of the internal audit recommendations outstanding so that it can be assessed if appropriate and timely action is being taken.

3 Consultation and Equality Impact

- 3.1 None

4 Alternative Options and Reasons for Rejection

- 4.1 Not Applicable

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 Regular reports on progress against the implementation of internal audit recommendations ensures compliance with the Public Sector Internal Audit Standards and allows members to monitor progress.

5.2 Legal Implications including Data Protection

- 5.2.1 None

5.3 Human Resources Implications

- 5.3.1 None

6 Recommendation

- 6.1 That the report be noted.

7 Decision Information

Is the decision a Key Decision? A Key Decision is 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
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
Has the portfolio holder been informed	Yes
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
Appendix 1	Summary of Internal Audit recommendations made and implemented 2016/17 – 2019/20 to date
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
N/A	
Report Author	Contact Number
Jenny Williams	01246 217547

Bolsover District Council

Appendix 1

Summary of Internal Audit Recommendations made and implemented 2016/17 – 2019/20 to date as at 8th November 2019

42

Recommendations Made	2016/17	2017/18	2018/19	2019/20 to date
Number of High Priority	23	0	8	0
Number of Medium Priority	26	48	41	12
Number of Low priority	17	31	85	23
Total	66	79	134	35
Recommendations Implemented	66	78	103	18
High Recommendations Outstanding	0	0	0	0
Medium Recommendations Outstanding	0	1	6	1
Low Recommendations Outstanding	0	0	11	0
Not overdue yet	0	0	14	16
Total Overdue Recommendations	0	1	17	0
Percentage due implemented	100%	99%	86%	95%

BDC Internal Audit Recommendations

2017/18

Report	Audit	Directorate	Conclusion	Recommendations			Total	Not	Overdue	Implemented
Ref				High	Medium	Low		Overdue		
B020	Food Hygiene Enforcement	Growth	Reasonable		4	3	7		1	6
Total				0	4	3	7		1	6

2018/19

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Report	Audit	Directorate	Conclusion	Recommendations			Total	Not	Overdue	Implemented
Ref				High	Medium	Low		Overdue		
B001	Risk Management	People	Reasonable		3	2	5		5	
B003	Money Laundering	People	Reasonable		2	4	6		4	2
B005	Gifts and Hospitality	People	Substantial			3	3		2	1
B021	Pest Control	Place	Reasonable	1	1	2	4	1		3
B024	FOI/Env Regs	People	Substantial		1	3	4	1		3
B028	Housing Rents	Place	Substantial		1		1	1		
B029	The Tangent	Place	Reasonable		2	1	3	1		2
B030	Expenses and Allowances	People	Reasonable		5	2	7		3	4
B033	Housing Benefits	People	Substantial			2	2	2		
B034	Premises and Personal Licences	Place	Reasonable			7	7	3	3	1
B037	Fly Tipping - Back Office Systems	Place	Reasonable	1	3	10	14	2		12
B038	JVC Dragon Fly	Place	Substantial			4	4	2		2
B039	Disaster Recovery	People	Substantial			1	1	1		
Total				2	18	41	61	14	17	30

2019/20

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Report	Audit	Directorate	Conclusion	Recommendations			Total	Not	Overdue	Implemented
Ref				High	Medium	Low		Overdue		
B001	Procurement	People	Reasonable		3	3	6	5	1	
B002	Property Services Compliance	Place	Reasonable		2	1	3	3		
B003	Sheltered Housing	Place	Reasonable		1	5	6			6
B004	Business Continuity & Emergency Planning	Place	Reasonable		1	4	5	2		3
B005	Corporate Targets & Local Indicators	People	Reasonable		2	1	3	2		1
B006	Safeguarding	People	Reasonable		1	2	3	1		2
B007	Clowne LS Operational	People	Substantial		1	4	5			5
B008	Treasury Management	People	Substantial				0			0
B009	Health & Safety	People	Substantial		1	2	3	2		1
B010	Capital Accounting	People	Substantial				0			0
B011	Creditors	People	Substantial			1	1	1		
Total					12	23	35	16	1	18

BDC Outstanding Internal Audit Recommendations

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment
Food Hygiene Enforcement – November 17	<p>An overarching quality assurance process for food safety should be documented with consideration of FSA requirements and, as a minimum, an overview of the following areas:</p> <ul style="list-style-type: none"> - Overview of the work programme process to ensure all premises are timely inspected and reviewed, - Monitoring progress of the planned intervention programme, - Peer review frequencies and requirements, - Adhoc reviews of inspections by EHO's to ensure availability and full completion of inspection / audit paperwork - Consideration of internal performance indicators including issuing of 'stickers' within 14 days. 	Medium Not Specified	Due to other work priorities this work process is still ongoing and will be progressed during 2018/19 and 2019/20

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment
Risk Management – May 18	Risk Management should be included within the next version of financial regulations to ensure that the corporate responsibilities for this function are firmly enshrined within the Council's Constitution.	Low Not Specified	A large piece of work is currently being undertaken by the Strategic Director – People, on the subject that is risk Management. All the monitoring, reporting, reviewing and updating on risk management is being looked at. These outstanding old recommendations may no longer be relevant but will be considered in the review.
Risk Management – May 2018	The information requirements for operational risk registers should be reviewed to ensure that responsibilities are allocated to designated officers with respective timescales for the implementation of agreed actions to mitigate risk. Monitoring should then take place to ensure that agreed actions are taken and the risk score revised appropriately.	Medium September 18	A large piece of work is currently being undertaken by the Strategic Director – People, on the subject that is risk Management. All the monitoring, reporting, reviewing and updating on risk management is being looked at. These outstanding old recommendations may no longer be relevant but will be considered in the review.
Risk Management – May 2018	Operational risk registers should be regularly reviewed at Service Team Meetings to ensure all current risks and potential actions for mitigation are considered	Medium September 18	A large piece of work is currently being undertaken by the Strategic Director – People, on the subject that is risk Management. All the monitoring, reporting, reviewing and updating on risk management is being looked at. These outstanding old recommendations may no

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment
			longer be relevant but will be considered in the review.
Risk Management – May 2018	With the implementation of the revised management structure, it should be ensured that there is an operational risk register for each service area.	Medium September 18	A large piece of work is currently being undertaken by the Strategic Director – People, on the subject that is risk Management. All the monitoring, reporting, reviewing and updating on risk management is being looked at. These outstanding old recommendations may no longer be relevant but will be considered in the review.
Risk Management – May 2018	Consideration should be given to the determination of the most important business critical suppliers to undertake an element of checking supplier health to provide additional assurance to the risk management process.	Low December 18	A large piece of work is currently being undertaken by the Strategic Director – People, on the subject that is risk Management. All the monitoring, reporting, reviewing and updating on risk management is being looked at. These outstanding old recommendations may no longer be relevant but will be considered in the review.
Money Laundering – June 18	Once the Anti-Money Laundering policy has been updated and approved (as per R1 and R2 above), staff with key roles should be made fully aware of their associated responsibilities and ensure compliance with and awareness	Medium December 18	Once policy is approved this recommendation will be completed.

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment
	of the policy going forward. The policy should also be made available to wider employees via the intranet.		
Money Laundering – June 18	Reporting of Money Laundering incidents and limits of cash that can be accepted needs to be consistent across all staff guidance and related policies/policy to ensure potential issues are promptly dealt with in line with AML regulations.	Low December 18	Once policy is approved this recommendation will be completed.
Money Laundering – June 18	A training programme/matrix to be documented in line with the new regulations (previous training date, records for scope and effectiveness of training) and rolled out for employee's who are working in the "potential risk areas" to keep them updated and refresh their knowledge.	Low December 18	Once policy is approved this recommendation will be completed.
Money Laundering – June 18	The Anti-Money Laundering Compliance Officer (as recommended as part of R2)	Low	Once policy is approved this recommendation will be completed.

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment
	should undertake a periodic review of payments received into NEDDC and BDC sites. This should identify any regular or large payments of cash with a view to highlighting and reporting any potential instances of money laundering.	December 18	
Gifts and Hospitality – June 18	It should be ensured that the annual inspection report is presented to the Standards Committee during the year following inspection.	Low End June 19	
Gifts and Hospitality – June 18	Consideration be made to adding 'print name', 'position' and 'date of authorisation' to the Gift/Hospitality Declaration form and to check the Gifts and Hospitality forms upon receipt for appropriate authorisation signatures.	Low End March 19	

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment
Expenses and Allowances – January 19	As soon as the system is running as expected, liaise with HR to update the HR21 Guidance to reflect the actual procedures for inputting and claiming mileage and expenses across both authorities. Furthermore, to ensure transparency and clarity, consider using this guidance as the one comprehensive policy/guidance for all staff members and managers to refer to when making and/or authorising a claim	Low April 19	Work with HR to review guidance. Mileage policy updated, awaiting Council approval.
Expenses and Allowances – January 19	Ensure designated managers who are on the authorised signatory list are authorising claims	Medium April 19	HR 21 is set up in a way that ensures only assigned managers approve claims. The only variation to this is if a manager uses the “manager absent” function. We will work to definitely express that appropriate managers (of equivalent or greater seniority) should be appointed in the absence of a manager. Within revised HR21 guidance. Included within revised policy.

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment
Expenses and Allowances – January 19	Ensure mileage and expense claims are in line with policy by reviewing the description/details	Medium April 19	A report will be written to review/spot check claims. There is an expectation that the claims are checked by managers but by completing the second check we should catch any anomalies. Re-iterated in policy. Checks being made.
Premises and Personal Licences – March 19	Increase monitoring to ensure the retention of evidence is adequate and complies with legislative requirements	Low September 19	Additional background reporting will be undertaken to ensure that evidence is retained to identify compliance with the legislation
Premises and Personal Licences – March 19	Update the Council's websites to display current legislation information	Low September 19	Officers are reviewing the content on the Council's websites with a view to improving the content, legislative information and access to make on-line applications
Premises and Personal Licences – March 19	Notifications to appropriate persons, determinations and issuing of licences should be in line with legislative timescales	Low September 19	The procedures used by officers to process applications will be updated to include a requirement to notify applicants of the outcome of their applications in accordance with the statutory requirements and action codes will be added to the Uniform database system for monitoring purposes
Procurement – June 19	Partially Re-stated: Tidy the information on the Work Programme and ensure the data is uniformed so that the new Contract Register's 'pulls	Medium July 19	Work has commenced and almost completed following agreed format with Audit. Now tidying up in readiness to publish on website for BDC & NEDDC July 2019

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment
	through' meaningful information ready to be published on the Council's websites quarterly		

Bolsover District Council

Audit Committee

26th November 2019

The Role of the Head of Internal Audit

Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

- This report is to notify members of an updated publication by The Chartered Institute of Public Finance and Accountancy (CIPFA) which is CIPFA's Statement on the role of the head of internal audit in Public Service Organisations (2019 edition). This replaces the previous 2010 edition.

1 Report Details

Background

- 1.1 Heads of internal audit in the public services face challenges ensuring that professional standards are maintained and their internal audit teams remain effective. The organisation in which internal audit operates has a direct impact on the level of resource, scope and authority given to internal audit. CIPFA considers it essential that public service organisations properly support their internal auditors to enable them to meet the standards. For these reasons CIPFA felt it was an opportune time to refresh and update the 2010 statement on the role of the head of internal audit.
- 1.2 The statement sets out the five principles that define the core activities and behaviours that belong to the role of the head of audit in public service organisations and the organisational arrangements needed to support them.

Core Principles

- 1.3 The core principles are detailed below along with a summary of the BDC situation.
- 1.4 The head of internal audit in a public service organisation plays a critical role in delivering the organisations strategic objectives by:
 1. objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence based opinion on all aspects of governance, risk management and internal control

BDC situation – The internal audit plan is a risk based plan that covers all of the council's activities on a cyclical basis. Each audit considers the risks faced by the service being audited and the internal controls in place. Internal Audit review and assess the council's risk management processes. The Internal Audit Consortium Manager is part of the Annual Governance Statement working party that assesses the council's compliance with the Code of Corporate Governance and formulates the Annual Governance Statement.

2. championing best practice in governance and commenting on responses to emerging risks and proposed developments

BDC situation – internal audit test schedules are based on best practice. Emerging risks and proposed developments are identified when setting the audit plan and built in to the audit programme. More focus is now placed on emerging risks in non - financial areas such as health and safety and safeguarding. The internal audit team have assessed the controls in place in relation to the Council's Joint Venture Company. The Internal Audit Consortium Manager attends all quarterly directorate meetings that are attended by senior managers and members.

The Internal Audit Consortium Manager contributes to reviews of the Audit Committee's effectiveness against CIPFA's best practice guidance with the aim of identifying opportunities for improvement.

To perform this role the head of internal audit must:

3. be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee

BDC situation – The Internal Audit Consortium Manager is a senior manager that regularly attends quarterly directorate meetings and reports directly to the Strategic Director People. The Internal Audit Consortium Manager also has direct access to the Audit Committee and attends every committee meeting with a variety of reports.

4. lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively

BDC situation – The Joint Board approve the Internal Audit

Consortium's budget. The budget is based on an audit plan that enables the Internal Audit Consortium Manager to provide an opinion on the adequacy of governance, risk management and internal control arrangements.

Being part of a consortium enables best practice, skills and knowledge to be shared across the council's.

The team undertake continuous professional development by attending training events, team meetings and reading professional magazines.

The Consortium had an external review of its service in October 2016 that concluded that the service was compliant with the Public Sector Internal Audit Standards. A self -assessment is also undertaken on an annual basis.

5. be professionally qualified and suitably experienced.

BDC Situation – The Internal Audit Consortium Manager is CIPFA qualified, undertakes continuous professional development and has been in internal audit since 1996.

The participation in Nottinghamshire and Midlands audit group meetings enables network opportunities, professional development and the sharing of best practice.

2 Conclusions and Reasons for Recommendation

2.1 This report ensures that Members are aware of best practice in relation to the role of the head of internal audit and can consider if the head of internal audits role at the council is appropriate and meets best practice.

3 Consultation and Equality Impact

3.1 Not applicable.

4 Alternative Options and Reasons for Rejection

4.1 None.

5 Implications

5.1 Finance and Risk Implications

5.1.1 The Head of Internal Audit occupies a critical position as it helps the council to achieve its objectives by evaluating the effectiveness of governance, risk management and internal control arrangements. By complying with the principles in CIPFA's Statement on the role of the head of internal audit the risk of not having sound corporate governance arrangements in place is reduced.

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 Audit Committee endorse the arrangements and processes set out in the report as meeting the requirements of the CIPFA statement on the Role of the Head of Internal Audit.

7 **Decision Information**

Is the decision a Key Decision? 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: BDC: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
Has the relevant Portfolio Holder been informed	N/A
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 **Document Information**

Appendix No	Title
1	CIPFA Statement on the role of the head of internal audit in Public Service Organisations (2019 edition)
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Jenny Williams Internal Audit Consortium Manager	01246 217547

CIPFA Statement on

\ the role of the head of internal audit

in Public Service Organisations
(2019 edition)

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed.

As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services.

Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance.

Head of internal audit

The executive responsible for the organisation's internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion. This could be someone from another organisation where internal audit is contracted out or shared with others. In PSIAS this role is referred to as the chief audit executive.

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\ introduction

The head of internal audit (HIA) occupies a critical position in any organisation, helping it to achieve its objectives by evaluating the effectiveness of governance, risk management and internal control arrangements and playing a key role in promoting good corporate governance. The aim of this Statement is to set out the role of the HIA in public service organisations and to help ensure organisations engage with and support the role effectively.

The UK Public Sector Internal Audit Standards (PSIAS) provide clear standards for internal audit but heads of internal audit in the public services face challenges ensuring professional standards are maintained and their internal audit teams remain effective. One key reason for this is that the organisation in which they operate has a direct impact on the resources, scope and authority given to internal audit. While HIAs must step up and deliver a professional service to the best of their ability, it is important to recognise this responsibility does not lie solely with the HIA. As one of the setters of the PSIAS, CIPFA considers it essential that public service organisations properly support their internal auditors to enable them to meet the standards.

For this reason it is critical that the CIPFA statement sets out not only the responsibilities of the HIA but also those of the organisation. CIPFA champions good governance and strong public financial management in public services and believes internal audit has an essential role to play in supporting those objectives. CIPFA considers that HIAs need recognition for their contributions, together with support and encouragement. For these reasons we believe the time is right for an updated CIPFA Statement.

Many heads of internal audit have already risen to the challenges and so alongside the updated CIPFA Statement we are publishing examples of how they are putting principles into practice, providing excellent support and assurance to their organisations and clients. We hope the Statement and this resource will both inspire and support internal audit going forward.

This edition ensures there is alignment to the PSIAS 2017. It explicitly links to the Core Principles for the Professional Practice of Internal Auditing, helping to demonstrate how the HIA role supports internal audit effectiveness.

The intended audience for this statement is not just HIAs in the public services. It should be read by all those with a leadership role in public bodies and by members of audit committees. CIPFA recommends those bodies evaluate their organisational arrangements for internal audit and consider the extent to which they align to the principles. We hope it will be the basis of conversations between the HIA, the leadership team and the audit committee and that the vital role of the HIA is given its due recognition and support.

Let's create the conditions in which heads of internal audit and their teams can thrive.

Rob Whiteman
Chief Executive, CIPFA

\ status of the CIPFA Statement

The Statement is principle-based and should be relevant to all public service organisations and their HIAs. It is intended to be helpful to a wide audience including leadership teams, chief executives, audit committees and other stakeholders as well as HIAs themselves.

We believe organisations should see the Statement as best practice and use it to support their HIA arrangements and drive up audit quality and governance arrangements.

We also commend the Statement to individual internal audit professionals. It articulates the core responsibilities of the HIA, as well as the personal and professional skills that they need.

The CIPFA Statement and the Public Sector Internal Audit Standards

The Relevant Internal Audit Standard Setters (RIASS)¹ mandate the PSIAS for their respective areas of responsibility in the public services. They work together to agree standards taking advice from the Internal Audit Standards Advisory Board.

In PSIAS, as in the International Professional Practices Framework, the term chief audit executive is used to describe the role of the person responsible for managing internal audit. CIPFA has decided to use the more familiar term head of internal audit for the benefit of the wider readership of this Statement.

Statement approach and structure

The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the HIA in public service organisations and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:

- the organisation
- the role
- the individual.

For each principle the Statement sets out the organisation's responsibilities to ensure HIAs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the HIA, consistent with PSIAS. Where responsibilities are delegated the nominated HIA retains overall accountability.

Summaries of personal skills and professional standards then detail the leadership competencies and technical expertise organisations can expect from their HIA. These include the requirements of CIPFA and the other professional bodies' codes of ethics and the PSIAS Code of Ethics to which the HIA is bound. The personal skills support all five principles and are shown together, providing a handy reference for the person specification of the HIA.

¹ The Relevant Internal Audit Standard Setters are: HM Treasury in respect of central government; the Scottish Government, the Department of Finance and Personnel Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations; the Department of Health in respect of the health sector in England (excluding Foundation Trusts); and the Chartered Institute of Public Finance and Accountancy in respect of local government across the UK.

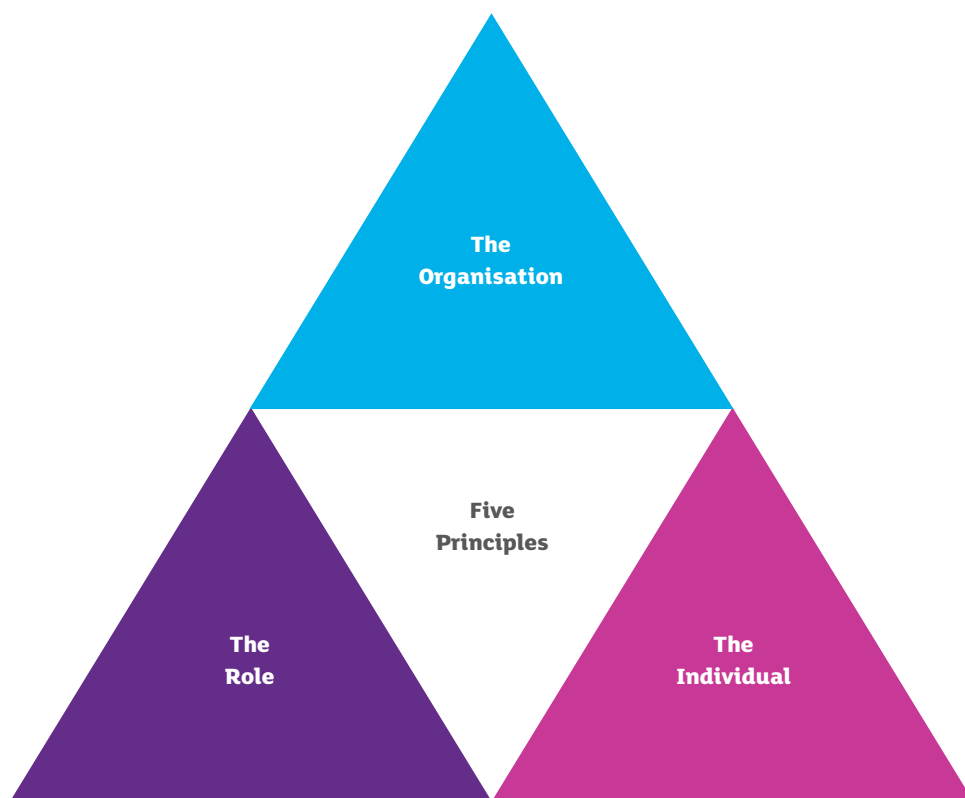
The Principles

The head of internal audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:

- 1 objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control
- 2 championing best practice in governance and commenting on responses to emerging risks and proposed developments.

To perform this role the head of internal audit must:

- 3 be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee
- 4 lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively
- 5 be professionally qualified and suitably experienced.



\ principle 1



The head of internal audit (HIA) plays a critical role in delivering the organisation's strategic objectives by objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control.

The UK Public Sector Internal Audit Standards (PSIAS) set out the mission of internal audit which is to 'enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'. They also set out Core Principles for the Professional Practice of Internal Auditing which taken as a whole articulate internal audit effectiveness.

The following core principles are of particular relevance for Principle 1 of the CIPFA Statement:

- Provides risk based assurance.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.



Organisational responsibilities

To enable the HIA to fulfil their role the leadership team should ensure they:

- set out the responsibilities of the leadership team for internal audit
- establish an internal accountability and assurance framework including how internal audit works with other providers of assurance
- set out how the framework of assurance supports the annual governance statement and identify internal audit's role within it. The HIA should not be responsible for the statement
- set out the responsibilities of the HIA and ensure the independence of the role is preserved. If additional responsibilities are taken on then appropriate safeguards should be put in place
- ensure internal audit is independent of external audit
- establish clear lines of reporting of the HIA to the leadership team and to the audit committee
- ensure the HIA reports in their own right and that the annual internal audit opinion and report are issued in the name of the HIA
- ensure the internal audit charter and plan are approved by the audit committee in accordance with the PSIAS.



Core HIA responsibilities

To fulfil Principle 1 the HIA should:

- ensure that internal audit's work is risk-based and aligned to the organisation's strategic objectives and will support the annual internal audit opinion
- identify where internal audit assurance will add the most value or do most to facilitate improvement
- produce an evidence-based annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

Commentary

Independence and objectivity

The leadership team is responsible for the organisation achieving its objectives and for the underlying governance arrangements and effective frameworks of risk management and internal control. The HIA's unique role is to evaluate these arrangements and provide independent assurance on their effectiveness. So it is important that the HIA is independent of operational management and is seen to provide objective views and opinions. Where the HIA has responsibilities beyond internal audit the risks to independence must be recognised and adequate safeguards need to be approved by the audit committee and put in place to protect independence and objectivity.

Broad scope of assurance

The leadership team needs regular assurance that the organisation has good governance arrangements and is effectively managing its risks. The assurance framework that provides this will have a number of sources including a clearly defined management accountability framework, performance management and risk management, together with internal compliance functions such as legal, HR and health and safety. Assurance is also available from external inspectors and agencies and external auditors. Some organisations use the 'three lines of defence' model to explain these relationships. Setting out this framework of assurance should also help in explaining to others how internal audit fits into the wider governance picture.

The annual HIA opinion is on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control in accordance with PSIAS. It is the most important output from the HIA and is one of the main sources of objective assurance that chief executives and the leadership team have for their annual governance statement. The HIA opinion is unique within the wider assurance framework in that it is independent and objective and in accordance with professional standards. This opinion must reflect the work done during the year and it must summarise the main findings and conclusions together with any specific concerns the HIA has. To build a robust opinion on the adequacy of the governance, risk and control framework the HIA will need to review and if appropriate place reliance on the work of others.

Evidence-based assurance

The HIA's opinion must be well founded if it is to give proper assurance to the organisation and improve governance and control arrangements. This means internal audit planning must be well focused and in accordance with professional standards.

The HIA may look to the work of other functions, partner organisations and other agencies as evidence for their assurance. Here the HIA must understand the basis for their assurances and its adequacy and whether the HIA needs to carry out any additional review work. A summary of assurances given and relied upon should be included in the HIA's annual report.

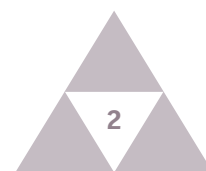
One of the HIA's key relationships must be with the external auditor. The role of the external auditor is to provide an opinion on the financial statements of the organisation together with wider reporting on value for money or best value. The external auditor will share internal audit's interest in the governance risk and control environment and both auditors should share their plans and findings on a regular basis.

Develop and implement a risk-based audit approach

Risk management is key to the effective delivery of public services. Organisations are becoming more mature in how they identify, evaluate and manage risks and opportunities. The HIA should encourage the organisation to improve its approach to risk management and the HIA opinion on the adequacy and effectiveness of risk management will provide assurance on an annual basis.

The audit plan must identify the priorities for internal audit based on an assessment of the key risks to organisational objectives and the extent of alternative sources of assurance, as well as the resources and skills needed to deliver it. Responsibility for effective governance, risk management and control arrangements remains with the organisation; the HIA cannot be expected to prevent or detect all weaknesses or failures in internal control nor can the internal audit plan cover all areas of risk across the organisation.

\ principle 2



The head of internal audit (HIA) in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance and commenting on responses to emerging risks and proposed developments.

The UK Public Sector Internal Audit Standards set out Core Principles for the Professional Practice of Internal Auditing which taken as a whole articulate internal audit effectiveness. The following core principles are of particular relevance for Principle 2 of the CIPFA Statement:

- Aligns with the strategies, objectives, and risks of the organisation.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.



Organisational responsibilities

To enable the HIA to fulfil their role the leadership team should ensure that they:

- establish top level commitment to the principles of good governance, recognising its importance for achieving strategic objectives
- set out the HIA's role in good governance and how this fits with the role of others
- recognise and support the role internal audit can play in providing advice and consultancy internally
- ensure that the HIA has the opportunity to advise on or provide assurance on all major projects, programmes and policy initiatives
- take account of the HIA's advice in new and developing systems.



Core HIA responsibilities

To fulfil Principle 2 the HIA should:

- work with others in the organisation to promote and support good governance
- help the organisation understand the risks to good governance
- give advice to the leadership team and others on the control arrangements and risks relating to proposed policies, programmes and projects
- promote the highest standards of ethics and standards across the organisation based on the principles of integrity, objectivity, competence and confidentiality
- demonstrate the benefits of good governance for effective public service delivery and how the HIA can help
- offer advisory or consulting services where appropriate
- give advice on risk and internal control arrangements for new and developing systems, including major projects, programmes and policy initiatives whilst maintaining safeguards over independence.

Commentary

Promoting good governance

Good governance is fundamental to establishing confidence in public services. All managers have a responsibility for exercising good governance but the HIA can promote the principles of good governance across the organisation through their assurance and advisory work, encouraging good practice. This is consistent with the Core Principles for the Professional Practice of Internal Auditing. The internal audit charter sets out the scope of internal audit activities and provides the opportunity to outline how the HIA will fulfil this role.

Good governance is core to achieving strategic aims and demonstrating that public money is used well. The HIA can support the leadership team in establishing, maintaining and improving governance by promoting the benefits of good governance, interpreting and advising on the application of governance principles as well as reporting on governance risks. There are also benefits for the HIA in taking such an approach as this helps staff and the audit committee see the wider purpose of internal audit's work and the support they can provide. While the HIA is not responsible for the organisation's public report on governance, the HIA can

provide support to ensure the assessment is robust and the statement itself is effective.

The HIA should understand the range of risks to good governance the organisation faces, such as entering into new collaborative arrangements, managing resource pressures or taking on new statutory responsibilities. The HIA should then assess how best to support good governance and organisational improvement.

Advising on proposed developments

The HIA will seek to ensure the work of internal audit is aligned to the organisation's strategic goals and governance responsibilities. To facilitate this HIAs must be asked to consider the impact of proposed policy initiatives, programmes and projects as well as responses to emerging risks. HIAs should be made aware of major new systems and proposed initiatives such as new collaborative or commercial arrangements to help ensure risks are properly identified and evaluated and appropriate controls built in. Managers and the HIA must therefore be clear on the scope of any internal audit work here and of the kind of advice that is given to ensure the independence of other audit work and the HIA annual opinion is not compromised.

\ principle 3



The HIA must be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee.

The UK Public Sector Internal Audit Standards set out core principles for the Professional Practice of Internal Auditing which taken as a whole articulate internal audit effectiveness. The following core principles are of particular relevance for Principle 3 of the CIPFA Statement:

- Is objective and free from undue influence (independent).
- Is appropriately positioned and adequately resourced.



Organisational responsibilities

To enable the HIA to fulfil their role the leadership team should:

- designate a named individual as HIA in line with the principles in this Statement. The individual could be someone from another organisation where internal audit is contracted out or shared. Where this is the case then the roles of the HIA and the client manager must be clearly set out in the contract or agreement
- ensure that where the HIA is an employee they report functionally to a member of the leadership team. The HIA should be sufficiently senior and independent within the organisation's structure to allow them to carry out their role effectively and be able to provide credibly constructive challenge to management
- engage constructively with the HIA and facilitate their role throughout the organisation
- ensure the audit committee terms of reference² includes oversight of internal audit including the monitoring of adherence to professional standards
- ensure the HIA's reporting relationship with the audit committee and its chair as set out in the internal audit charter is applied
- ensure the organisation's governance arrangements give the HIA:
 - direct access to the chief executive, other leadership team members, the audit committee and external audit; and
 - attendance at meetings of the leadership team and management team when the HIA considers this to be appropriate
- set out unfettered rights of access for internal audit to all papers and all people in the organisation, as well as appropriate access in arms-length bodies
- set out the HIA's responsibilities relating to organisational partners including collaborations and outsourced and shared services.

² In Local Government and Police CIPFA's Position Statement and supporting guidance include examples of audit committee terms of reference, including the committee's responsibilities for internal audit. *Audit Committee Practical Guidance for Local Government and Police*, CIPFA, 2018



Core HIA responsibilities

To fulfil Principle 3 the HIA should:

- ensure the internal audit charter clearly establishes appropriate reporting lines that facilitate engagement with the leadership team and audit committee
- escalate any concerns about maintaining independence through the line manager, chief executive, audit committee and leadership team or external auditor as appropriate
- contribute to the review of audit committee effectiveness, advising the chair and relevant managers of any suggested improvements
- consult stakeholders, including senior managers and non-executive directors/elected representatives on internal audit plans.

Commentary

Senior manager

Heads of internal audit face increasing challenges and higher expectations from stakeholders, especially in helping organisations look forward. Regardless of how the internal audit is provided the HIA must be able to operate at the heart of the organisation, challenging and supporting the leadership team with authority and credibility. They should also be seen as a leader, promoting improvement and good governance. To do this effectively, make an impact and add value, the HIA position must be at a senior management level.

The HIA must also have unfettered access to key people across the organisation, especially to the chief executive, leadership team and audit committee chair.

The HIA role must be filled by a named individual so that all are clear about lines of responsibility. Where the service is provided in-house this should be straightforward. Where the service is contracted out or shared with others then the organisation must decide whether the HIA should come from within the organisation or from the supplier of the audit service. In the latter case the relationship between the HIA and the organisation, including the audit committee, must be clearly set out and arrangements made to ensure there is adequate access and visibility of the HIA to the leadership team. In practice it is likely that the HIA will be the person who is responsible for drawing up the internal audit charter

and plan, issuing the HIA annual internal audit opinion and engaging with the audit committee.

Engagement with the leadership team

The leadership team in public service organisations takes many forms, with different mixes of executive and non-executive members, as well as elected representatives. Collectively the leadership team is responsible for setting the strategic direction for the organisation, its implementation and the delivery of public services. The HIA must also have a right of access to individual members of the leadership team and should expect the support of the team consistent with reporting relationships set out in PSIAS.

Wherever the HIA is in the organisational structure the HIA will need to ensure and demonstrate adequate independence and objectivity. A senior position supports this, alongside appropriate safeguards if they have other management responsibilities.

Engagement with the audit committee

The HIA's relationship with the audit committee, and especially the chair, is crucial. They should be mutually supportive in their aim to be objective and to provide challenge and support across the organisation and improve governance, risk management and internal control. The HIA must work closely with the audit committee chair so that they are clear about their respective roles and make best use of internal audit.

\ principle 4



The HIA must lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively.

The UK Public Sector Internal Audit Standards set out Core Principles for the Professional Practice of Internal Auditing which taken as whole articulate internal audit effectiveness. The following core principles are of particular relevance for Principle 4 of the CIPFA Statement:

- Demonstrates integrity.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.



Organisational responsibilities

To enable the HIA to fulfil their role the leadership team should:

- provide the HIA with the status, resources, expertise and systems necessary to perform their role effectively
- ensure the audit committee contributes to a performance framework for the HIA and the internal audit service and takes action as appropriate
- ensure an external review of internal audit quality is carried out at least once every five years in accordance with PSIAS
- ensure the audit committee provides support for and participates in the quality assurance and improvement programme as set out in PSIAS.



Core HIA responsibilities

To fulfil Principle 4 the HIA should:

- lead and direct the internal audit service so that it meets the needs of the organisation and external stakeholders and fulfils professional standards
- demonstrate how internal audit adds value to the organisation
- determine the resources, expertise, qualifications and systems for the internal audit service that are required to meet internal audit's objectives
- inform the leadership team and audit committee as soon as they become aware of insufficient resources to carry out a satisfactory level of internal audit, and the consequence for the level of assurance that may be given
- ensure the professional and personal training needs for staff are assessed and that these needs are met
- establish a quality assurance and improvement programme that includes:
 - ensuring professional internal audit standards are complied with
 - reviewing the performance of internal audit and ensuring the service provided is in line with the expectations and needs of its stakeholders
 - providing an efficient and effective internal audit service – demonstrating this by agreeing key performance indicators and targets with the line manager and audit committee; annually reporting achievements against targets
 - putting in place adequate ongoing monitoring and periodic review of internal audit work and supervision and review of files, to ensure that audit plans, work and reports are evidence-based and of good quality
 - seeking continuous improvement in the internal audit service
- keep up to date with developments in governance, risk management, control and internal auditing, including networking with other HIAs and learning from them, implementing improvements where appropriate.

Commentary

Meeting the needs of the business

Effective governance is critical in public service organisations and internal audit needs to play its part. The HIA must have a firm grasp and understanding of the organisation's business as well as its control environment. This will allow HIAs to give an opinion to the leadership team on how well these arrangements are working.

Whether internal audit is provided in-house, through a shared service or outsourced, the internal audit resources available must be proportionate to the size, complexity and risk profile of the organisation and must be enough for the HIA to give a reliable annual internal audit opinion on the organisation's framework of governance, risk management and control. Responsibility for ensuring that an effective and appropriately resourced internal audit service is in place rests with the organisation.

The HIA must set out the audit coverage and audit resources needed to give a sound, evidence-based annual audit opinion and must advise the audit committee and the leadership team where the available resources are inadequate and the consequences for the level of assurance that the HIA is able to give. Where concerns are raised by the HIA it is vital that they are listened to and the consequences understood.

Appropriately developed internal audit skills

A great deal of reliance is placed on the work of internal audit and the HIA must ensure all the work, including planning and individual assignments, is consistently of a high quality and in line with professional standards. The HIA must also ensure that all staff demonstrate the highest ethical standards. The HIA therefore has a responsibility to ensure that internal audit staff have appropriate qualifications, knowledge, skills and competencies and have access to development opportunities.

The HIA must provide clear guidance for internal audit staff with appropriate quality assurance for internal audit as a whole and for each audit assignment. The HIA has a duty to ensure their staff comply with the PSIAS and must have systems to verify this. More widely the HIA should ensure they and the team are up to date on current issues affecting their organisation and on internal audit techniques and developments.

\ principle 5



The HIA must be professionally qualified and suitably experienced.

The UK Public Sector Internal Audit Standards set out Core Principles for the Professional Practice of Internal Auditing which taken as a whole articulate internal audit effectiveness. The following core principles are of particular relevance for Principle 5 of the CIPFA Statement:

- Demonstrates competence and due professional care.
- Communicates effectively.



Organisational responsibilities

To enable the HIA to fulfil their role the leadership team should:

- appoint a professionally qualified HIA³ whose core responsibilities include those set out in the PSIAS as well as under the other principles in this statement and ensure that these are properly understood throughout the organisation
- ensure the HIA has the skills, knowledge and internal audit experience, together with sufficient resources to perform effectively in the role
- support continuing professional development of the HIA.



Core HIA responsibilities

To fulfil Principle 5 the HIA should:

- be a full member of an appropriate professional body and have an active programme for personal professional development
- adhere to professional internal audit and ethical standards (and where appropriate accounting and auditing standards).

³ PSIAS requires that the HIA must hold a professional qualification (CCAB, CMIIA or equivalent).

Commentary

Demonstrating professional and interpersonal skills

The HIA must be able to demonstrate their own professional credibility to exercise influence throughout the organisation. The HIA must be professionally qualified.

The HIA must adhere to the professional values of accuracy, honesty, integrity, objectivity, impartiality, transparency, confidentiality, competence and reliability and promote these throughout the internal audit service.

The HIA must be able to operate effectively in different modes including directing, influencing, evaluating and informing. The HIA must be able to give objective opinions and advice even if this may be unwelcome and to intervene with authority where necessary. The HIA must be able to challenge the status quo and be a catalyst for change, achieving results through influence, without direct authority.

The HIA must be sensitive to the complexities and pressures facing organisations.

Applying business and professional experience

The HIA must have an understanding and commitment to the organisation's wider business and its delivery objectives, to inspire respect, confidence and trust amongst colleagues, with the leadership team, audit committee and other stakeholders.

The HIA must have a good understanding of business processes and governance including strategic planning and performance, financial and risk management.

The HIA should be seen as a catalyst to improving governance and internal control and also supporting the organisation in its wider business objectives. The HIA's leadership must set the tone that good governance, risk management, and internal control matter to everyone in the organisation.

personal skills and professional standards



This section sets out the personal skills and professional standards of the HIA that are necessary to support the five principles in practice.

Principle 1

- Give clear, professional and objective advice.
- Report on what is found, without fear or favour.
- Demonstrate integrity to staff and others in the organisation.
- Exercise sound judgement in identifying weaknesses in the organisation's control environment and a balanced view on how significant these are.
- Work well with others with specific responsibilities for internal control, risk management and governance including (as appropriate to the sector) the chief executive, chief legal officer, chief financial officer, audit committee, non-executive directors and elected representatives.
- Work positively and constructively, influencing the leadership team, audit committee and others to ensure the HIA's recommendations are implemented.
- Be a role model – dynamic, determined, positive and robust. They should demonstrate resilient leadership and the ability to inspire confidence and exemplify high standards of conduct.

Principle 2

- Provide leadership by giving practical examples of good governance that will inspire others.
- Deploy effective facilitating and negotiating skills.
- Build and demonstrate commitment to supporting continuous improvement of the organisation.

Principle 3

- Network effectively to raise the profile and status of internal audit.
- Adopt a flexible style, being able to collaborate, advise and challenge as appropriate.
- Build productive professional relationships both internally and externally.
- Work effectively with the leadership team and audit committee, showing political awareness and sensitivity.
- Be seen to be objective and independent but also pragmatic where appropriate.

Principle 4

- Demonstrate leadership and be an ambassador for internal audit.
- Create, communicate and implement a vision for the internal audit service.
- Create a customer-focused internal audit service.
- Establish an open culture, built on effective coaching and a constructive approach.
- Promote effective communication within internal audit, across the broader organisation and with external stakeholders.
- Manage and coach staff effectively.
- Comply with professional standards and ethics.
- Require the highest standards of ethics and standards within internal audit based on the principles of integrity, objectivity, competence and confidentiality.

Principle 5

- Demonstrate a range of skills including communicating, managing and influencing, as well as an understanding of IT and consulting services.
- Understand and have experience of strategic objective setting and management.
- Understand the internal audit and regulatory environment applicable to public service organisations.
- Demonstrate a comprehensive understanding of governance, risk management and internal control.
- Undertake appropriate development or obtain relevant experience in order to demonstrate an understanding of the full range of the organisation's activities and processes.

definitions used throughout the document

The public services have a wide variety of organisational structures and governance arrangements. The definitions used in this document are primarily based on those used in CIPFA's Role of the Chief Financial Officer Statement and in the Public Sector Internal Audit Standards (PSIAS).

Annual governance report

The mechanism by which an organisation publicly reports on its governance arrangements each year.

Assurance

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation.

Assurance can come from a variety of sources and internal audit can be seen as the 'third line of defence' with the first line being the organisation's policies, processes and controls and the second being managers' own checks of this first line.

Assurance framework

This is the primary tool used by a board to ensure that it is properly informed on the risks of not meeting its objectives or delivering appropriate outcomes and that it has adequate assurances on the design and operation of the systems in place to mitigate those risks.

Audit committee

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

Board

The group of people charged with setting the strategic direction for the organisation and responsible for its achievement.

Chief financial officer

The organisation's most senior executive role charged with leading and directing financial strategy and operations.

Control environment

The attitude and actions of the board and management regarding the importance of control within the organisation. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Governance⁴

The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

Head of internal audit opinion

The opinion issued each year by the HIA on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The opinion is used by the chief executive in some public service organisations as a key source in drafting the annual governance report.

⁴ The International Framework: Good Governance in the Public Services (CIPFA/IFAC, 2014)

Internal audit

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

Leadership team

Comprises the board and management team.

Managers

The staff responsible for the achievement of the organisation's purpose through services/ businesses and delivery to its clients/customers.

Management team

The group of executive staff comprising the senior management charged with the execution of strategy.

Public service organisation

One or more legal bodies managed as a coherent operational entity with the primary objective of providing goods or services that deliver social benefits for civic society, are not privately owned and receive public and/or charitable funding.

Risk management

A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.



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Bolsover District Council

Audit Committee

26th November 2019

<u>Internal Audit Consortium Summary of Progress on the Annual Internal Audit Plan</u> <u>2019/20</u>
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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 2019/20 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 2019/20 Consortium Audit Plan for Bolsover District Council was agreed at the Audit Committee on the 16th April 2019. 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 29th June 2019 and the 8th November 2019. 9 reports have been issued, 6 with substantial assurance and 3 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:

Assurance Level	Definition
Substantial Assurance	There is a sound system of controls in place, designed to achieve the system objectives. Controls are being consistently applied and risks well managed.
Reasonable Assurance	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.
Limited Assurance	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.
Inadequate Assurance	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 2019/20 audits are currently in progress:

- Transformation Agenda
- Taxi Licensing
- Payroll
- Cash and Bank
- Refuse Collection

2 Conclusions and Reasons for Recommendation

2.1 To inform Members of progress on the Internal Audit Plans for 2019/20 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

Is the decision a Key Decision? 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</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
Has the relevant Portfolio Holder been informed	N/A
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	Summary of Internal Audit reports issued in respect of the 2019/20 Internal Audit Plan 29 th June 2019 to the 8th November 2019
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
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 29th June 2019 – 8th November 2019

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B003	Sheltered Housing	To ensure policies and procedures are in place and operating, relevant training has taken place, DBS checks where needed, gifts and hospitality register etc.	Reasonable	9/7/19	30/7/19	6 (1M 5L)	6
B004	Business Continuity and Emergency Planning	To ensure that the Council's legal responsibilities are being met. To ensure there are appropriate plans in place, adequate preparation for events, communications with the public and businesses, testing of plans.	Substantial	23/7/19	4/9/19	5 (1M 4L)	5

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B005	Corporate Targets and Local Indicators	To check the interpretation of definitions and calculations of a sample of Corporate Targets and Local Indicators	Reasonable	24/7/19	14/8/19	3 (2M 1L)	3
B006	Safeguarding	To ensure policies and training are up to date. DBS for relevant posts, built in to procurement practices, protocols for liaising with other agencies, security of information.	Reasonable	26/7/19	16/8/19	3 (1M 2L)	3
B007	Clowne Leisure Services - Operations	A review of access controls, monitoring of use of centre, availability of courses, complaint procedures, lost property, training, health and safety requirements, inventory.	Substantial	9/8/19	30/9/19	5 (1M 4L)	5

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Date		Number of Recommendations	
				Report Issued	Response Due	Made	Accepted
B008	Treasury Management	To ensure that there is an approved treasury management strategy that is complied with and that there are appropriate lending and borrowing controls in place e.g. separation of duties.	Substantial	23/8/19	16/9/19	0	0
B009	Health and Safety	To ensure that legislation is complied with, training is provided, policies are up to date, adequate records are maintained, audit of services.	Substantial	5/9/19	26/9/19	3 (1M 2L)	3
B010	Capital Accounting	Capital programme approved, policies in place, access to fixed asset register controlled, controls over additions and disposals.	Substantial	24/9/19	15/10/19	0	0
B011	Creditors	To ensure that orders are raised for all expenditure and that invoices are paid promptly and accurately.	Substantial	22/10/19	12/11/19	1L	1

Bolsover District Council

Audit Committee

26 November 2019

Strategic Risk Register and Partnership Arrangements

Report of the Strategic Director - People

This report is public

Purpose of the Report

- To update Members of the Audit Committee of the current position regarding Risk Management and Partnership Arrangements and the Strategic Risk Register as at 30th September 2019.

1 Report Details

Background

- 1.1. The Council's Strategic Risk Register has been developed with consideration of the strategic and operational risks which have been identified by Members and Officers as part of the Council's risk, service management and quarterly performance arrangements.
- 1.2. In its approach to risk management the Council is seeking to secure a number of objectives and to operate in line with recognised best practice. In order to appreciate the importance of risk management it is useful to reiterate these objectives:
 - To improve the way in which the Council manages its key risks so as to reduce the likelihood of them happening, and to mitigate the impact in those cases where they do materialise. This is a key element in protecting service delivery arrangements, the financial position and the reputation of the Council.
 - To strengthen the overall management arrangements of the Council. From a governance perspective the effective operation of risk management is a key element of the managerial framework operating within a council.
 - Effective risk management is a key component in ensuring that organisations are able to achieve their objectives, and that key projects proceed in line with plan.
 - The identification of the risks attached to existing service delivery, or to a project or new initiative allows a fully informed decision to be made, and helps ensure that all appropriate measures to mitigate (or reduce) the risk are in place from the outset.

- An appreciation of the risk environment within which the Council operates assists in determining an appropriate level of financial reserves, whilst ensuring the organisation has a good awareness of its overall risk exposure.

The Strategic Risk Register

1.3. The revised Strategic Risk Register as at 30 September 2019 is set out in **Appendix 1** for consideration by this Committee. The intention is that this review of the Register will secure the following objectives:

- Identify any newly emerging risks which need to be added to the Register and removing any risks that have been resolved to maintain a focus on current risks.
- To revisit risk score assessments and ensure that appropriate mitigation remains in place.

1.4. A key theme which emerges from the Strategic Risk Register is an ongoing requirement to maintain performance levels in respect of service delivery, performance and governance and ensuring that the Council mitigates the risk of a catastrophic event or service failure impacting upon our community. This objective needs to be secured against a background of both declining and less certainty concerning financial resources. Allied to the financial position, local authorities are faced with significant legislative change impacting upon the financial framework and systems within which Councils operate. Any such change may impact on the way in which services to local residents are delivered with the potential to disrupt service provision.

1.5. The current Strategic Risk Register identifies the following risks:

1. Legislative change at a national level including uncertainty surrounding Brexit
2. Failure to deliver a balanced budget over the life of the Medium Term Financial Plan (MTFP)
3. Significant operational service failure
4. Emergency planning and business continuity arrangements fail to meet required standards
5. Increasing difficulty to recruit and retain appropriately qualified staff
6. Failure to deliver against the Council's Plan targets
7. Failure to provide effective community leadership
8. Lack of governance arrangements robust enough to deal with a rapidly changing environment
9. Decrease in staff morale/increase in sickness levels
10. Failure to have robust, comprehensive policies/procedures in place for safeguarding children and vulnerable adults.
11. Failure of the Local Plan to be found sound at examination
12. Impact of HS2 and electrification of the Midland Main Line

Full details of the strategic risks identified above and the mitigations currently in place can be found in a copy of the register at **Appendix 1**.

Partnership Arrangements

- 1.6 Under the Council's Risk Management Strategy (including Partnership Working), a range of strategic partnerships are reported on and monitored within the Council's quarterly report processes in respect of Risk. These are complementary to the reports presented to Executive by the Partnerships Team in respect of the partnerships they co-ordinate.
- 1.7 This report sets out what might be termed as the Council's key partnerships. These are as follows:
- The relationship with the North Midlands authorities (Derbyshire and Nottinghamshire) and Sheffield City Region in progressing the economic development and devolution agenda.
 - The Strategic Alliance with North East Derbyshire District Council which is central to the transformation agenda of delivering services at lower costs whilst enhancing service resilience.
 - Shared Services arrangements with Chesterfield Borough Council (Internal Audit) and Derbyshire Dales District Council (Joint ICT) which help secure cost effective arrangements.
 - Arrangements with Derbyshire County Council to secure aligned services across the public sector in areas such as health and economic development.
 - The Community Safety Team and associated statutory partners including the Police.
- 1.8 Although the partnerships outlined above are very different in terms of scope and working arrangements they all have in place formal governance arrangements between the partners, supported by appropriate internal governance arrangements which cover performance, finance and risk. Appropriate approvals have been agreed as required by the Council's constitution. The arrangements in place are intended to be risk based and proportionate to the risks of the Council.
- 1.9 The risks facing the Council are many and varied and the approach to managing those risks should be applied within decision making processes. Risks will change over time so need continual monitoring. The approach to risk management should also be continuous with a structured review process. A comprehensive review of the Council's risk management framework is currently being undertaken to ensure that the continued effective and systematic management of risk is achieved.
- 1.10 A new 'Risk Management Strategy' will be produced following this period of review which will include a revised approach to the following;
- The nature of 'risk' both the 'threats' and the 'opportunities'
 - The benefits of a robust risk management approach
 - The Council's risk appetite
 - Risk categorisation – *Operational, Governance, Strategic*
 - Project and Partnership risk
 - The Council's risk management approach and arrangements including a new 'Risk Management Group'
 - Roles and responsibilities including *Senior Risk Officer* and *Senior Information Risk Officer* (SRO and SIRO)

- 1.11 Future reports will more closely reflect the 'Risk Management Strategy' and the work plan of the 'Risk Management Group'.

2 Conclusions and Reasons for Recommendation

- 2.1. The Strategic Risk Register is intended to highlight the major areas where the Council needs to manage its risks effectively. One of the key purposes of this report is to set out the risks that have been identified in the Strategic Risk Register and to encourage both Members and Officers to actively consider whether the Strategic Risk Register and supporting Service Risk Registers actively cover all of the issues facing the Council. It is proposed that a comprehensive review of the Council's risk management framework be undertaken at this time to ensure that the continued effective and systematic management of risk is achieved. The section on Partnerships serves to highlight the extent of these working arrangements, together with the approach that has been adopted for their effective management.

3 Consultation and Equality Impact

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

4 Alternative Options and Reasons for Rejection

- 4.1. Under relevant good practice and to facilitate the development of robust managerial arrangements the Council is required to prepare a Strategic Risk Register as part of its risk management framework. This report is intended for Members and Officers to consider both the Strategic Risk Register, together with the Council's wider framework for managing risk and partnerships. Given the importance of these arrangements for the overall governance of the Council it is necessary to subject them to regular review. The alternative of not providing this is therefore rejected.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 There are no additional financial implications arising out of this report. Whilst, where appropriate, additional mitigation measures have been identified and implemented during the course of preparing the Strategic and Operational Risk Registers, the cost of implementing this mitigation will be met from within previously agreed budgets.
- 5.1.2 Risk Management issues are covered throughout the body of the main report.

5.2 Legal Implications including Data Protection

- 5.2.1 There are no legal or data protection issues arising directly out of this report.

5.3 Human Resources Implications

- 5.3.1 There are no human resource issues arising directly out of this report.

6 Recommendations

- 6.1. That the Committee notes the report and Strategic Risk Register as at 30 September 2019 as set out in **Appendix 1**.

7 Decision Information

Is the decision a Key Decision? 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</i> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
Has the relevant Portfolio Holder been informed	Yes
District Wards Affected	None directly
Links to Corporate Plan priorities or Policy Framework	All

8. Document Information

Appendix No	Title	
1	Strategic Risk Register as at 30 September 2019	
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)		
Service Plan Risk Registers		
Report Author		Contact Number
Lee Hickin – Joint Strategic Director People		7218

STRATEGIC RISK REGISTER SUMMARY AS AT: 30 September 2019

	Risk	Consequences	Risk Score (Likelihood Impact) x	Risk Score (Likelihood Impact) Taking into Account Current Controls	Risk Owner / Lead Officer
1	Parliamentary uncertainty following the General Election, Government Legislation / impact of referendum vote to leave the EU / adverse external economic climate has an accelerating impact on Council funding, or upon the local economy, to which Council is unable to adopt an appropriate change of Strategic direction. The decision to leave the EU	<ul style="list-style-type: none"> • Unable to deliver a package of services that both addresses changing national priorities whilst meeting changing local needs and aspirations. • Increases costs or reduces resources available to the Council directly, or to its key partners. • Reduced influence over delivery of local services. • Unable to effectively support local communities. • Increased demands on Council services at a time when Council resource base is reducing. 	4,4, 16	3,4 12	SAMT / Political Leadership

	creates significant uncertainties whilst there is a significant programme of legislative change which impacts directly upon local government.				
	<p><u>Mitigation.</u></p> <ul style="list-style-type: none"> • The Council is outward looking and actively works to secure details of proposed change and the approaches that might be adopted to mitigate against associated risks, including working to identify new income streams. • The Council has effective political and managerial arrangements in place to manage change. • Appropriate levels of financial reserves / investment funding are maintained to fund strategic shifts in service delivery. • Effective engagement with staff to ensure they embrace necessary change. 				
2	Failure to deliver a balanced budget in line with the MTFP, at a time when the Council's reserves are at an acceptable rather than a robust level, and localism has created significant uncertainties re future funding levels.	<ul style="list-style-type: none"> • Impact upon ability to deliver current level of services. • Unable to resource acceptable levels of service. • Significant adverse reputational Impact. 	4,4 16	3,4 12	SAMT / Chief Executive / Chief Financial Officer / Political Leadership

	<p><u>Mitigation</u></p> <ul style="list-style-type: none"> • The Council has effective financial management in place to ensure budget arrangements are robust. • The Council has appropriate managerial arrangements and culture in place to manage any necessary change. • The Council has 'adequate' financial reserves in place to cushion against any loss of income for a period of at least one financial year. 				
3	<p>The Council is affected by an operational service failure which has a major impact upon the local community, this impact being reflected in the Council's sustainability and reputation. Failure could arise from services – inc Data Protection – failing to adhere to best practice. Resulting in a potential impact upon the Council's ability to secure its corporate objectives. Given the efficiency measures that have been introduced to date this is considered to be an increasing issue for the Council.</p>	<ul style="list-style-type: none"> • A significant service failure associated with a major impact on the local community. • Deterioration in services to the public, potentially a major impact upon a local resident or a group of local residents. • Significant staff and financial resources required to resolve position, impacting on other services. • A major service has its operating capacity significantly impact and is required to introduce major reform in its approach to service delivery. • Severe reputational damage 	3,5 15	2,5 10	SAMT / Heads of Service

	<u>Mitigation</u> <ul style="list-style-type: none"> The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed. The Council has a Performance Management Framework in place to help ensure that services are delivered in line with good practice and industry standards. On-going monitoring and regular reporting will help ensure that any emerging issues re service performance are effectively identified and resolved at the earliest possible opportunity. 				
4.	<p>Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by flu pandemic, natural disaster (flood), etc. Cyber-crime with a loss of data / systems, results in the inability to provide core services and reputational damage.</p>	<ul style="list-style-type: none"> Inability of Council to provide services as a consequence of a severe catastrophic external event (e.g. flooding, major terrorist incident, flu pandemic, fire, cyber-crime). Failure of IT infrastructure, leading to inability to effectively operate services and to safeguard income streams. Business Continuity Plans prove ineffective in practice. 	3,4 12	2,4 8	SAMT / Chief Executive
	<u>Mitigation</u> <ul style="list-style-type: none"> The Council works in partnership with a range of partners on its Emergency Planning arrangements to ensure that we operate in line with best practice. There is an annual 'desktop' scenario to test officers understanding of the arrangements and validate that they are fit for purpose in a realistic 'trial' scenario. All services have Business Continuity plans in place which identify key risks and mitigation. Corporate IT systems have been tested against Industry standards for Business Continuity. The Council works in partnership with a range of other agencies that should be able to provide support in the event 				

	<p>of the Council's own procedures failing to be effective.</p> <ul style="list-style-type: none"> The Council has in place industry standard measures to minimise the risk of cyber-crime. 				
5	<p>Increasing difficulty in recruiting to key posts or in replacing key staff who leave. Staff morale is adversely affected arising from the pace of change, tightening financial circumstances or external circumstances.</p>	<ul style="list-style-type: none"> Deterioration in services to the public. Increasing inefficiencies in service provision. Weakening of Internal Control arrangements. Increased pressure on other members of staff. 	3,4 12	2,4 8	SAMT / Head of Legal & Governance
	<p><u>Mitigation</u></p> <ul style="list-style-type: none"> The Council has effective communication and working with staff as validated by securing 'silver' accreditation at IIP. There is sufficient funding to bring in agency staff where required to maintain service performance. At this stage the problematic areas are those where there are national 'shortages'. In the majority of areas it has proved possible to recruit appropriate replacement staff. Appropriate training budgets are in place to ensure that staff receive necessary training to maintain service quality / continuity. The Council is looking to introduce appropriate apprenticeship / training schemes in order to develop suitable staff. 				

6	<p>Delivery of the Council's Agenda is dependent upon effective delivery of both a number of major initiatives / projects and implementing a range of new government reforms whilst achieving financial targets and maintaining service quality, which may overstretch our reduced organisational capacity.</p>	<ul style="list-style-type: none"> • New initiatives are not delivered in a cost-effective manner. • Failure to maintain / improve services in line with local aspirations. • Failure to generate the savings required to balance the budget. • Financial savings measures weaken Governance / Internal Control arrangements. • Service deterioration / failure arising from capacity issues. 	3,4 12	2,4 8	SAMT / Chief Executive
<p><u>Mitigation</u></p> <ul style="list-style-type: none"> • The Council has effective prioritisation and project management arrangements in place to ensure resources are directed at key objectives. • The Council has made efforts to ensure effective use of employees by utilising shared services to protect service resilience, by maintaining appropriate training arrangements and by investing in transformational service delivery projects. • The Council has a robust performance management framework that is intended to highlight emerging issues. 					
7	<p>Need to effectively engage with local communities and a range of local partners (inc Shared / Joint services) to deliver cost effective</p>	<ul style="list-style-type: none"> • Failure to provide effective community leadership. • Loss of trust in the Council • Inability to deliver good quality cost effective services targeted at local needs. 	3,4 12	2,4 8	Political Leadership Team / Chief Executive

	joined up services.	<ul style="list-style-type: none"> Poor outcomes for local residents, due to failure to engage other agencies. 			
	<u>Mitigation</u> <ul style="list-style-type: none"> The Council has in place a range of mechanisms designed to secure feedback from local residents including the Performance Framework, a range of consultation events and the role of Elected Members as local champions. The Council has an active Partnerships Team and senior Members / Officers actively engage with other organisations serving the area. The Council's management structures are aligned to our key partnership arrangements. 				
8	Governance Arrangements including Performance, Finance and Risk Management need to be maintained in order to continue to operate effectively in a rapidly changing environment.	<ul style="list-style-type: none"> Adverse Impact upon Service Quality. Failure to deliver high quality services which address national and local priorities. Significant adverse reputational impact. 	3,4 12	2,4 8	Chief Financial Officer / Monitoring Officer

	<u>Mitigation</u> <ul style="list-style-type: none"> • The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed. • The Council has active Standards and Audit Committees which provide independent review of the Governance arrangements in the Council. • The Annual Governance Report sets out an evidence based structured assessment of the operation of the Council's governance arrangements. 				
9	Staff morale / Sickness Levels adversely affected as a result of the pace of change, tightening financial circumstances or external circumstances.	<ul style="list-style-type: none"> • Deterioration in services to the public and loss of productivity. • Loss of key staff / increased sickness levels. • Increased pressure on other members of staff. • Loss of 'goodwill.' 	3,4 12	3,3 9	SAMT / Head of Corporate Governance
	<ul style="list-style-type: none"> • The Council operates in line with the independent IIP standards and HR 'good practice' to help ensure current staff are well managed and motivated. • The staff has a range of communication mechanisms in place to ensure staff engagement with the Council's agenda. • The Council has reduced its emphasis of securing savings through vacancy management and seeks to bring in 'agency staff' etc as required. • While the Council cannot control external circumstances it has continued to work with staff to mitigate the impact of these on individual employees. 				
10	Failure to have in place robust, comprehensive and up to date policies and procedures for	<ul style="list-style-type: none"> • Profile of safeguarding is poor • Staff and members do not know what safeguarding is and their role within it • Staff and members do not know 	4,4, 16	2,4, 8	SAMT/Political Leadership

	safeguarding children and vulnerable adults.	<p>how to spot the signs</p> <ul style="list-style-type: none"> • Staff and members do not know how to report it and to who? • Lack of public confidence in Council policies plans and staff • Reputational damage • Potential significant harm to individuals resulting from abuse and neglect of Children and/or Vulnerable Adults possibly leading to personal harm, injury and death 			
	<ul style="list-style-type: none"> • The Council has in place up to date policies for safeguarding both Children and Vulnerable Adults. These policies are aligned to DCC policies which in turn are in line with legislation, regulation and statutory duties placed on Local Authorities. • The Council has in place and maintain systems of working practice to safeguard children and vulnerable adults at Council activities and those who receive Council services. • Staff recognised as appropriate to do, are DBS/CRB checked • All staff receive mandatory safeguarding training • Safeguarding is widely promoted and embedded throughout the organisation with all staff being issued with a wallet sized 'safeguarding quick reference guide' which details what to look out for and what to do • The Council has an internal safeguarding group which meets quarterly which has representation from all service areas of the Council. • The Council host and Chair the Countywide Derbyshire Safeguarding Leads Sub Group of the Derbyshire Safeguarding Children's Board and Derbyshire Safeguarding Adults Board • The Council are represented on both the Derbyshire Safeguarding Children's Board (DSCB) and the Derbyshire Safeguarding Adults Board (DSAB) 				
11	Failure of BDC's Local Plan to be found sound at independent	<ul style="list-style-type: none"> • Potential Government intervention • Undermining the local plan 	4,4, 16	2,4, 8	SAMT / Political Leadership

	examination.	<ul style="list-style-type: none"> • Reputational damage • Loss of control of planning and development 			
	<ul style="list-style-type: none"> • The Council has successfully avoided Government intervention in the plan-making process. • Following Submission in August 2018, the Examination Hearing Sessions took place in January, February and March 2019. The Inspector provided her judgement on the necessary Main Modifications to make the Local Plan for Bolsover District legally compliant and sound in May 2019. Consultation on the necessary Main Modifications took place in June and July 2019 and the Council submitted the representations received on the Main Modifications to the Inspector in August 2019 and is now awaiting the Inspector's Report. As such, the emerging Local Plan for Bolsover District is at a very advanced stage and is progressing towards Adoption early in 2020. • The Council has taken all reasonable steps in the preparation of the emerging Local Plan and has kept the Government informed of this progress. 				
12	Impact of HS2 and the electrification of the MML on environment, heritage, communities and businesses.	<ul style="list-style-type: none"> • Without considerable environmental mitigation measures will have a negative impact on the visual amenity of the district, disruption to businesses, home owners and communities. It also has the potential to sterilise areas of development due to uncertainty. 	4,4, 16	4,4, 16	SAMT / Political Leadership
	<ul style="list-style-type: none"> • CEX and senior management actively engaged with HS2 staff to discuss proactive business mitigation measures. • Political leadership working with relevant community groups and agencies lobbying for enhanced mitigation measures. • Contributing to the East Midlands HS2 growth strategy and also that we part of the mitigation study 				

Bolsover District Council

Audit Committee

26th November 2019

<h3><u>Role and Effectiveness of the Audit Committee</u></h3>

Report of the Head of Finance and Resources

This report is public

Purpose of the Report

- To present for members' information CIPFA's Position Statement: Audit Committees in Local Authorities and Police, to enable the Committee to undertake a self-assessment.

1 Report Details

- 1.1 In 2018, CIPFA produced guidance 'Audit Committees: Practical Guidance for Local Authorities and Police, 2018 Edition'. This is available via the following link:

<http://web.bolsover.gov.uk/reportsagendas/Reports/report21382.pdf>

- 1.2 The publication sets out CIPFA's guidance on the function and operation of audit committees in local authorities and police bodies, and represents best practice for audit committees in local authorities throughout the UK.
- 1.3 Incorporated in the publication at chapter 2 is CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2018), which sets out CIPFA's view of the role and functions of an audit committee and replaces the previous 2013 Position Statement. The Position Statement is included at **Appendix 1** to this report.
- 1.4 The Position Statement emphasises the importance of audit committees being in place in all principal local authorities and recognises that they are a key component of governance:

"The purpose of an audit committee is to provide to those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. Audit committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance. The way in which an audit committee is organised will vary depending on the specific political and management arrangements in place in any organisation."

1.5 The guidance also covers:

- The purpose of Audit Committees
- The core functions of an Audit Committee
- Possible wider functions of an Audit Committee
- Independence and accountability
- Membership and effectiveness

1.6 Appendix D of CIPFA's publication includes a self-assessment of good practice. This provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and publication. Where an audit committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

1.7 It is proposed that the self-assessment of good practice in the new guidance is completed. **Appendix 2** is a replication of the new self-assessment of good practice. Once completed, this will be reviewed and if necessary, an action plan will be presented to a future meeting of the Audit Committee.

2 Conclusions and Reasons for Recommendation

2.1 To inform Members of CIPFA's publication 'Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition' and to enable the Audit Committee to undertake a self-assessment.

3 Consultation and Equality Impact

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

3.2 There are no equality impact implications from this report.

4 Alternative Options and Reasons for Rejection

4.1 This report is for information.

5 Implications

5.1 Finance and Risk Implications

5.1.1 There are no direct financial implications arising from this report.

5.1.2 There are no direct implications arising from this report. However, failure to have in place an effective audit committee would increase governance risk to the Council.

5.2 **Legal Implications including Data Protection**

There are no direct implications arising from this report.

5.3 **Human Resources Implications**

There are no Human Resource implications arising from this report.

6 **Recommendations**

- 6.1 That the Audit Committee note the CIPFA guidance for Local Authority Audit Committees.
- 6.2 That the Audit Committee undertake the self-assessment in **Appendix 2** of the report.
- 6.3 That the completed self-assessment is reviewed and if necessary, an action plan be presented to a future meeting of the Audit Committee.

7 **Decision Information**

Is the decision a Key Decision? 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:</i> <i>Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC:</i> <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
Has relevant Portfolio Member been informed?	Yes
District Wards Affected	None directly
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	CIPFA's Position Statement: Audit Committees in Local Authorities and Police.
2	Audit Committee Self-Assessment
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Head of Finance and Resources	01246 242458

CIPFA's Position Statement: Audit Committees in Local Authorities and Police

The scope of this Position Statement includes all principal local authorities in the UK, the audit committees for PCCs and chief constables in England and Wales, and the audit committees of fire and rescue authorities.

- 1 Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- 2 The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.
- 3 Authorities and police audit committees should adopt a model that establishes the committee as independent and effective. The committee should:
 - act as the principal non-executive, advisory function supporting those charged with governance
 - in local authorities, be independent of both the executive and the scrutiny functions and include an independent member where not already required to do so by legislation
 - in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
 - have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups
 - be directly accountable to the authority's governing body or the PCC and chief constable.
- 4 The core functions of an audit committee are to:
 - be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives
 - in relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and professionalism
 - support the effectiveness of the internal audit process

- promote the effective use of internal audit within the assurance framework
 - consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations
 - monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption
 - consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
 - support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
 - review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
- 5 An audit committee can also support its authority by undertaking a wider role in other areas including:
- considering governance, risk or control matters at the request of other committees or statutory officers
 - working with local standards and ethics committees to support ethical values
 - reviewing and monitoring treasury management arrangements in accordance with [Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes](#) (CIPFA, 2017)
 - providing oversight of other public reports, such as the annual report.
- 6 Good audit committees are characterised by:
- a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. The political balance of a formal committee of a council will reflect the political balance of the council, however, it is important to achieve the right mix of apolitical expertise
 - a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
 - a strong independently minded chair – displaying a depth of knowledge, skills and interest. There are many personal qualities needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime
 - unbiased attitudes – treating auditors, the executive and management fairly
 - the ability to challenge the executive and senior managers when required.

- 7 To discharge its responsibilities effectively the committee should:
- meet regularly – at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
 - be able to meet privately and separately with the external auditor and with the head of internal audit
 - include, as regular attendees, the CFO(s), the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required
 - have the right to call any other officers or agencies of the authority as required, while recognising the independence of the chief constable in relation to operational policing matters
 - report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.

Appendix 2

Self-Assessment of Good Practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

Good Practice Question		Yes	Partly	No
<i>Audit committee purpose and governance</i>				
1	Does the authority have a dedicated audit committee?			
2	Does the audit committee report directly to full council?			
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?			
4	Is the role and purpose of the audit committee understood and accepted across the authority?			
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?			
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?			
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
	• Good governance			
	• Assurance framework, including partnerships and collaboration arrangements			
	• Internal Audit			

Good Practice Question		Yes	Partly	No
	<ul style="list-style-type: none"> • External Audit 			
	<ul style="list-style-type: none"> • Financial Reporting 			
	<ul style="list-style-type: none"> • Risk Management 			
	<ul style="list-style-type: none"> • Value for money or best value 			
	<ul style="list-style-type: none"> • Counter-fraud and corruption 			
	<ul style="list-style-type: none"> • Supporting the ethical framework 			
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?			
9	Has the audit committee considered the wider areas of CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?			
10	Where coverage of core areas has been found to be limited, are plans in place to address this?			
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?			
<i>Membership and support</i>				
12	Has an effective audit committee structure and composition of the committee been selected?			
	This should include:			
	<ul style="list-style-type: none"> • Separation from the executive 			
	<ul style="list-style-type: none"> • An appropriate mix of knowledge and skills among the membership 			
	<ul style="list-style-type: none"> • A size of a committee that is not unwieldy 			
	<ul style="list-style-type: none"> • Consideration has been given to the inclusion of at least one independent member(where it is not already a mandatory requirement). 			

Good Practice Question		Yes	Partly	No
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council?			
14	Does the chair of the committee have appropriate knowledge and skills?			
15	Are arrangements in place to support the committee with briefings and training?			
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?			
18	Is adequate secretariat and administrative support to the committee provided?			
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			
20	Are meetings effective with a good level of discussion and engagement from all the members?			
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?			
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?			
23	Has the committee evaluated whether and how it is adding value to the organisation?			
24	Does the committee have an action plan to improve any areas of weakness?			
25	Does the committee publish an annual report to account for its performance and explain its work?			

Bolsover District Council

Audit Committee

26th November 2019

<u>Committee Work Programme 2019/20</u>
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Report of the Head of Finance and Resources & S151 Officer

This report is public

Purpose of the Report

- To enable the Committee to consider its work programme for the municipal year 2019/20.

1 Report Details

- 1.1 The Audit Committee is an important aspect of the Council's governance framework. It sets the tone from the top of the organisation and has the power to make recommendations to full council, the executive or to whomever it considers best placed to deal with the committee's concerns.
- 1.2 A work programme ensures the Committee has a structure in place to enable the systematic consideration of the issues it has responsibility for.
- 1.3 The current work programme is set out in **Appendix 1**. There are some items in the programme which must be approved at specific meetings such as the approval of the Statement of Accounts but there is also flexibility allowed with regular items. Matters may also be added or removed as appropriate throughout the year.

2 Conclusions and Reasons for Recommendation

- 2.1 To enable the Committee to consider its work programme for 2019/20.

3 Consultation and Equality Impact

- 3.1 There are no consultation and equality impact implications from this report.

4 Alternative Options and Reasons for Rejection

- 4.1 The option of not having a work programme is considered not appropriate as the absence of a clear programme of work could undermine the effectiveness of the Committee.

5 **Implications**

5.1 **Finance and Risk Implications**

The development of a work programme for Audit Committee will provide a structure to assist and support the Committee's work. This will help to ensure the Committee continues to operate effectively and that the Council's governance and accountability arrangements remain robust. The programme is designed to allow the Audit Committee to continue its flexible approach to its work and consider the range of matters within its remit.

There are no financial implications arising from this report.

5.2 **Legal Implications including Data Protection**

There are no legal issues or data protection matters arising directly from this report.

5.3 **Human Resources Implications**

There are no human resource implications arising from this report.

6 **Recommendations**

- 6.1 That the Committee notes the Audit Committee work programme for 2019/20 as set out in **Appendix 1**.

7 **Decision Information**

Is the decision a Key Decision? 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:</i> <i>Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC:</i> <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	No
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No
Has relevant Portfolio Member been informed?	Yes
District Wards Affected	None directly
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	Audit Committee work programme 2019/20
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Theresa Fletcher – Head of Finance and Resources & S151 Officer	01246 242458

Audit Committee work programme 2019/20

<u>Meeting Date</u>	<u>Item</u>
29 th July 2019	<ul style="list-style-type: none"> • Strategic risk register and partnership arrangements • Implementation of Internal Audit recommendations • Internal Audit consortium 2018/19, Annual Report • Report of Internal Audit – Summary of progress on the internal audit plan • Report to those charged with Governance – Audit completion report • BDC Statement of Accounts 2018/19 • Audit Committee proposed work programme 2019/20
26 th November 2019	<ul style="list-style-type: none"> • Strategic risk register and partnership arrangements • Implementation of Internal Audit recommendations • Report of Internal Audit – Summary of progress on the internal audit plan • Fighting Fraud and Corruption Locally • Audit Committee – Self assessment for effectiveness • CIPFA's statement on the role of the head of internal audit • Report of External Auditor – Annual Audit letter 2018/19

28 th January 2020	<ul style="list-style-type: none"> • Strategic risk register and partnership arrangements • Report of Internal Audit – Summary of progress on the internal audit plan • Report of External Auditor – Audit Strategy Memorandum 2020/21 • Accounting policies 2019/20
28 th April 2020	<ul style="list-style-type: none"> • Strategic risk register and partnership arrangements • Report of Internal Audit – Summary of progress on the internal audit plan • Report of Internal Audit – Internal Audit Plan from 2020/21 • Report of External Auditor – Progress report and technical update • Annual Governance Statement and Local Code of Corporate Governance
26 th May 2020	<ul style="list-style-type: none"> • Strategic risk register and partnership arrangements • Implementation of Internal Audit recommendations • Internal Audit Consortium 2019/20 – Annual Report