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To: Chair & Members of the Audit Committee

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Monday, 20th January 2020

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, 28th January, 2020 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

Sarah Sternberg

Joint Head of Corporate Governance & Monitoring Officer

**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, 28th January, 2020 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:<br><br>a) any business on the agenda<br>b) any urgent additional items to be considered<br>c) any matters arising out of those items<br>and if appropriate, withdraw from the meeting at the relevant time. | |
| **4.** | **Minutes** | |
| | To consider the minutes of the last meeting held on 26th November 2019. | 4 - 9 |
| | **REPORTS OF THE COUNCIL'S EXTERNAL AUDITOR MAZARS** | |
| **5.** | **Audit Strategy Memorandum 2020/21** | 10 - 28 |
| | **REPORT OF THE CHAIR OF AUDIT COMMITTEE** | |
| **6.** | **Draft Action Plan from the Committee's Self-Assessment** | 29 - 41 |
| | **REPORTS OF THE INTERNAL AUDIT CONSORTIUM MANAGER** | |
| **7.** | **Summary of progress on the internal audit plan** | 42 - 46 |
| **8.** | **CIPFA Fraud and Corruption Tracker Survey 2019** | 47 - 76 |
| | **REPORT OF THE HEAD OF FINANCE AND RESOURCES & SECTION 151 OFFICER** | |
| **9.** | **Accounting Policies 2019/20** | 77 - 103 |
| **10.** | **Work Programme** | 104 - 108 |

**<u>REPORT OF THE STRATEGIC DIRECTOR - PEOPLE</u>**


| | | |
|---|---|---|
| **11.** | **Strategic Risk Register and Partnership Arrangements** | 109 - 146 |

**AUDIT COMMITTEE**

Minutes of a meeting of the Audit Committee of the Bolsover District Council held in the Council Chamber on Tuesday 26th November 2019 at 1400 hours.

**PRESENT:-**

Members:-

Councillor Tom Munro in the Chair

Councillors Jim Clifton, David Dixon, Chris Kane and Ruth Jaffray (Co-opted Member).

Officers:- Theresa Fletcher (Head of Finance & Resources and Section 151 Officer), Jenny Williams (Internal Audit Consortium Manager) and Alison Bluff (Governance Officer).

Also in attendance at the meeting was Mike Norman (MAZARS).

**0458. APOLOGIES**

Apologies for absence were received on behalf of Councillor Tom Kirkham and Lee Hickin (Strategic Director – People).

**0459. URGENT ITEMS OF BUSINESS**

There were no urgent items of business to consider.

**0460. DECLARATIONS OF INTEREST**

There were no declarations of interest made.

**0461. MINUTES – 29TH JULY 2019**

Moved by Councillor Jim Clifton and seconded by Councillor Chris Kane
**RESOLVED** that the Minutes of an Audit Committee held on 29th July 2019 be approved as a true and correct record.

**REPORTS OF THE COUNCIL'S EXTERNAL AUDITOR – MAZARS**

**0462. ANNUAL AUDIT LETTER 2018/2019**

Committee considered a report in relation to the Annual Audit Letter 2018/2019 prepared by MAZARS, the Council's External Auditors.

The Annual Audit Letter summarised the audit work undertaken by MAZARS for the year ended 31st March 2019.

The Auditor's report issued on 31st July 2019, included their opinion that the Council's financial statements gave a true and fair view of the Council's financial position as at 31st March 2019 and of its expenditure and income and that the statements had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19. Further that the Statement of Accounts was consistent with the audited financial statements.

In their Value for Money conclusion, the Auditors were satisfied that in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2019.

Mike Norman advised the meeting that there were no additional items to bring to the Committee's attention.

Members noted their concern regarding the £1m budget shortfall in relation to the Council's finances in 2020/2021.

Moved by Councillor Tom Munro and seconded by Councillor Chris Kane
**RESOLVED** that the report from the Council's External Auditor, Mazars, in relation to the Annual Audit Letter 2018/19, be noted.

## 0463. AUDIT COMMITTEE PROGRESS REPORT 2019/2020

Committee considered a progress update report prepared by MAZARS in relation to their 2019/2020 audit and other non-audit work.

This was MAZARS first progress report in respect of the 2019/2020 audit of the Council's accounts and MAZARS Value for Money Conclusion.

On completion of the planning and risk assessment work with senior managers of the Council, MAZARS would present their Audit Strategy Memorandum to Committee for consideration. However, MAZARS risk assessment process would continue throughout the year. Based on their planning work to date, MAZARS did not expect the profile of the accounts audit risks to be significantly different to that reported in their 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

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

In relation to non audit work, MAZARS had been engaged to carry out the Reporting Accountant's report work on the Council's 2018/19 Pooling of Housing Capital Receipts Return. The reporting deadline was 7th February 2020. Work was in progress and there were no matters arising that needed to be reported to Committee at the current stage.

Also included in the update report was MAZARS summary of recent relevant technical and sector publications. Mike Norman provided a brief overview to Committee on a new financial management code launched by CIPFA in October 2019, a consultation by the National Audit Office for a new code of audit practice from 2020, an independent review of local authority financial reporting and external audit, and a local audit quality forum which took place in June 2019. The Chair brought Member's attention to two documents which were included in the report and which the Chair had found useful – these were, A Councillors guide to Digital Connectivity (October 2019) and A Councillors guide to Procurement (October 2019). The Chair recommended that all Councillors should be provided with the link to these documents.

Moved by Councillor Tom Munro and seconded by Councillor David Dixon
**RESOLVED** that (1) the Audit Committee Progress Report 2018/2019 from the Council's External Auditor, Mazars, be noted,

(2) the link to the Councillor guide documents relating to Digital Connectivity (October 2019) and Procurement (October 2019) be made available to all BDC Councillors.

(Internal Audit Consortium Manager)

## REPORTS OF THE INTERNAL AUDIT CONSORTIUM MANAGER

## 0464. IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

Committee considered a report which provided a summary of internal audit recommendations made and progress on implementation for the financial years 2016/17 to 2019/20. An appendix to the report detailed the outstanding internal audit recommendations as at 8th November 2019.

The timely implementation of internal audit recommendations helped to ensure that the risk of fraud and error was reduced and that internal controls were operating effectively. Action could be taken if Audit Committee felt that progress was unsatisfactory.

The implementation of internal audit recommendations was also monitored at the quarterly Directorate meetings and monthly by the Strategic Alliance Management Team (SAMT).

In relation to Risk Management, which had recommendations overdue, the Head of Internal Audit advised Committee that the Strategic Director – People, was currently undertaking a large piece of work where all monitoring, reporting, reviewing and updating would be looked at. Outstanding old recommendations may no longer be relevant but would be considered in the review. In relation to the recommendation regarding Money Laundering, Committee was also advised that the Section 151 Officer was currently writing a new Policy and this would be presented to a future meeting of Committee.

In response to a Member's query, the Internal Audit Consortium Manager advised Committee that the recommendation regarding Gifts and Hospitality had since been implemented.

Moved by Councillor Chris Kane and seconded by Councillor David Dixon
**RESOLVED** that the report be noted.

## 0465. THE ROLE OF THE HEAD OF INTERNAL AUDIT

Committee considered a report which advised Members of an updated publication by The Chartered Institute of Public Finance and Accountancy (CIPFA).

This publication was CIPFA's Statement on the role of the head of internal audit in Public Service Organisations (2019 edition) and replaced the previous 2010 edition.

CIPFA considered it essential that public service organisations properly supported 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.

The statement set out the 5 principles that defined the core activities and behaviours that belonged to the role of the head of audit in public service organisations and the organisational arrangements needed to support them.

The core principles were detailed in the report along with a summary of the Council's situation.

In response to a Member's question, the Internal Audit Consortium Manager noted that the 5 principles remained the same from the previous version of the publication, only the terminology had been updated.

A Member noted that he had found the 'Bolsover situation' in the report helpful.

Moved by Councillor David Dixon and seconded by Councillor Chris Kane
**RESOLVED** that 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 be endorsed.

## 0466. SUMMARY OF PROGRESS ON THE INTERNAL AUDIT PLAN

Committee considered a report which provided information on progress made by the Audit Consortium in respect of the 2019/20 Internal Audit Plan.

An appendix attached to the report provided a summary of reports issued between 29th June 2019 and 8th November 2019. Nine reports had been issued, 6 with substantial assurance and 3 with reasonable assurance.

Reports were issued as drafts, with 5 working days being allowed for the submission of any factual changes, after which time the report was designated as a final report. Fifteen working days were allowed for the return of the Implementation Plan.

Moved by Councillor Tom Munro and seconded by Councillor Chris Kane
**RESOLVED** that the report be noted.

**REPORT OF THE STRATEGIC DIRECTOR – PEOPLE**

**0467. STRATEGIC RISK REGISTER AND PARTNERSHIP ARRANGEMENTS**

Committee considered a report which provided an update of the current position regarding Risk Management and Partnership Arrangements and the Strategic Risk Register as at 30th September 2019.

The Council's Strategic Risk Register was intended to highlight the major areas where the Council needed to manage its risks effectively. One of the key purposes of the report was to set out the risks that had 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 covered all of the issues facing the Council. The revised Strategic Risk Register, as at 30th September 2019, was set out in an appendix to the report for consideration by 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 was achieved. The section in the report relating to Partnership Arrangements served to highlight the extent of these working arrangements together with the approach that had been adopted for their effective management.

Moved by Councillor Tom Munro and seconded by Councillor Chris Kane
**RESOLVED** that the report and the Strategic Risk Register as at 30th September 2019 be noted.

**REPORT OF THE HEAD OF FINANCE & RESOURCES**

**0468. AUDIT COMMITTEE – SELF ASSESSMENT FOR EFFECTIVENESS**

Committee considered a report which informed 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.

Incorporated in the publication at chapter 2 was CIPFA's Position Statement: *Audit Committees in Local Authorities and Police (2018)*, which set out CIPFA's view of the role and functions of an audit committee and replaced the previous 2013 Position Statement.

Appendix D of CIPFA's publication included a self-assessment of good practice. This provided a high-level review that incorporated the key principles set out in CIFPA's Position Statement and publication. Where an audit committee had a high degree of performance against the good practice principles, then it was an indicator that the committee was soundly based and had in place a knowledgeable membership.

Further to Members giving consideration to the self-assessment of good practice in the new guidance, it was felt necessary that an Annual Report and an Action Plan be devised and this be carried out by the Chair, in conjunction with the Head of Internal Audit and the Section 151 Officer and presented to a future meeting of the Committee.

Moved by Councillor David Dixon and seconded by Councillor Jim Clifton
**RESOLVED** that an Annual Report and an Action Plan be devised and this be carried out by the Chair, in conjunction with the Head of Internal Audit and the Section 151 Officer and presented at the next meeting of the Committee on 28th January 2020.

(Chair/Head of Internal Audit/Section 151 Officer)

## 0469. COMMITTEE WORK PROGRAMME 2019/20

Committee considered their Work Programme 2019/20.

The Work Programme would be updated with the following items;

28th January 2020;

- Treasury Management Strategies
- Fraud tracker and summary of national fraud initiative
- Draft Action Plan

28th April 2020;

- Draft Annual Report on the work of the Audit Committee

Moved by Councillor Jim Clifton and seconded by Councillor Tom Munro
**RESOLVED** that the Work Programme be noted and updated with the items as agreed above.

(Head of Finance and Resources)

The meeting concluded at 1510 hours.

# Audit Strategy Memorandum

## Bolsover District Council

### Year ending 31 March 2020



MAZARS

# CONTENTS

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

Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

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Park View House
58 The Ropewalk
Nottingham
NG8 3AE

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

January 2020

Dear Committee Members

**Audit Strategy Memorandum – Year ending 31 March 2020**

We are pleased to present our Audit Strategy Memorandum for Bolsover District Council for the year ending 31 March 2020

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

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

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

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

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

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

Yours faithfully

**Mark Surridge**

Mazars LLP

# 1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

**Overview of engagement**

We are appointed to perform the external audit of Bolsover District Council (the Council) for the year to 31 March 2020. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/

**Our responsibilities**

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

**Audit opinion**

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

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

**Value for Money**

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

**Reporting to the NAO**

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

**Electors' rights**

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

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

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

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

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

# 2. YOUR AUDIT ENGAGEMENT TEAM

**Mark Surridge**
**Director and Engagement Lead**

E-Mail: mark.surridge@mazars.co.uk
Tel: 07875 974 291

**Mike Norman**
**Senior Manager**

E-Mail: michael.norman@mazars.co.uk
Tel: 07909 984 151

# 3. AUDIT SCOPE, APPROACH AND TIMELINE

**Audit scope**

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

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

**Audit approach**

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

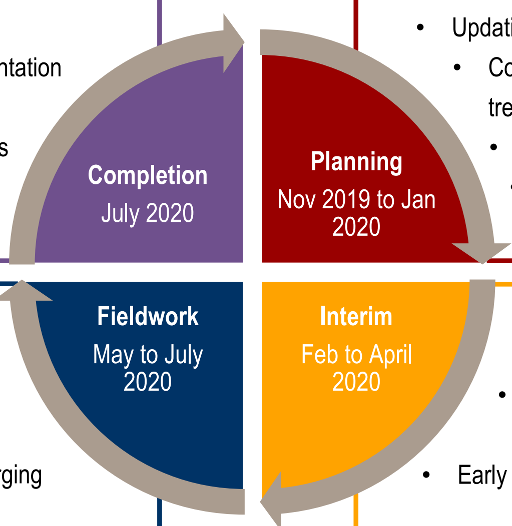
If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures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

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

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

- Final review and disclosure checklist of financial statements
- Final partner review
- Agreeing content of letter of representation
- Reporting to Audit Committee
- Reviewing post balance sheet events
- Signing our opinion

- Initial opinion and value for money risk assessments
- Updating our understanding of the Council
- Considering proposed accounting treatments and accounting policies
- Development of our audit strategy
- Agreement of timetables
- Preliminary analytical procedures




- Review of draft financial statements
- Reassessment of audit strategy, revising as necessary
- Delivering our planned audit testing
- Continuous communication on emerging issues
- Clearance meeting

- Documenting systems and controls
- Walkthrough procedures
- Controls testing, including general and application IT controls
- Early substantive testing of transactions

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

**Reliance on internal audit**

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

Where we intend to rely on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

**Management's and our experts**

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

| Items of account | Management's Expert | Our expert |
|---|---|---|
| Defined benefit liability | Hymans Robertson<br>*Actuary for Derbyshire Pension Fund* | PWC<br>*Consulting actuary appointed by the NAO* |
| Property, plant and equipment valuation | Roger Owen<br>*The Council's internal valuer* | None. We expect to use third party information provided via the NAO to support our challenge of valuation assumptions. |
| Financial instrument disclosures | Arlingclose<br>*Treasury management advisors* | Not applicable |
| Business rates appeals valuation | Inform CPI Ltd<br>*Analyse LOCAL Valuation System* | Not applicable |

**Service organisations**

International Auditing Standards (UK) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. We have not identified any service organisations which are relevant to the Council.

# 4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

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

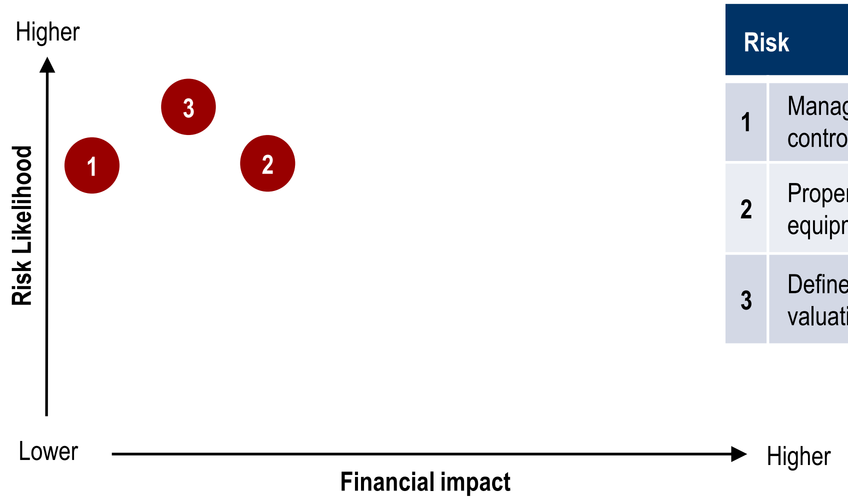
**Significant risk** A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant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

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

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

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

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.




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

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

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

**Significant risks**

| | Description of risk | Planned response |
|---|---|---|
| 1 | **Management override of controls**<br><br>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 plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual. |
| 2 | **Property, plant and equipment valuation**<br><br>The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we have determined there is a significant risk in this area. | In relation to the valuation of property, plant & equipment, investment properties and assets held for sale we will:<br><br>• Critically assess the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;<br><br>• Consider whether the overall revaluation methodologies used by the Council's valuer's are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;<br><br>• Assess whether valuation movements are in line with market expectations by using information available from other sources;<br><br>• Critically assess the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; and<br><br>• Critically assess the approach that the Council adopts to ensure that assets not subject to revaluation in 2019/20 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer. |

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

**Significant risks (continued)**

| | Description of risk | Planned response |
|---|---|---|
| 3 | **Valuation of net defined benefit liability**<br><br>The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area. | In relation to the valuation of the Council's defined benefit pension liability we will:<br><br>• Critically assess the competency, objectivity and independence of the Derbyshire Pension Fund's Actuary, Hymans Robertson;<br><br>• Liaise with the auditors of the Derbyshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;<br><br>• Review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, the consulting actuary engaged by the National Audit Office; and<br><br>• Agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements. |

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

**Consideration of other mandatory risks**

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

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

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

| | Description of risk | Planned response |
|---|---|---|
| 1 | **Fraudulent revenue recognition**<br><br>Our audit methodology incorporates this risk as a significant risk at all audits, although based on the circumstances of each audit, it is rebuttable. | We do not consider this to be a significant risk for Bolsover District Council as:<br><br>• there is an overall low risk for local authorities, and particularly this Council;<br><br>• there are no particular incentives or opportunities to commit material fraudulent revenue recognition; and<br><br>• the level of income that does not derive from either grant or taxation sources is low relative to the Council's overall income streams, and generally represents a number of low value, high volume transactions.<br><br>We therefore rebut this risk and do not incorporate specific risk procedures over and above our standard fraud procedures to address the management override of controls risk. |

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

**Key areas of management judgement and enhanced risks**

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

| | Area of management judgement / enhanced risk | Planned response |
|---|---|---|
| 1 | **Provision for business rate appeals against the rating list**<br><br>Management need to make an assumption over the likely level of appeals that will be successful based on their rating knowledge. | We plan to address this judgement by:<br><br>• Reviewing the basis of the Council's calculation of its provision, evaluating the key assumptions of the provision, and assessing whether the provision has been calculated and recorded in accordance with the Council's accounting policy |
| 2 | **Minimum revenue provision (MRP)**<br><br>Local authorities are normally required each year to set aside some of their revenues as provision for debt in respect of capital expenditure financed by borrowing or long term credit arrangements, by reference to the prior year's closing Capital Financing Requirement. The amount to be set aside each year is not prescribed although an overarching principle of prudency is expected to be adopted. This is supported by statutory guidance as to how this could be achieved and the Council is required to have regard to this in setting its MRP policy. Management judgement is therefore exercised is determining the level of its prudent provision. | We plan to address this judgement by:<br><br>• Reviewing the Council's MRP policy to ensure that it has been developed with regard to the statutory guidance; and<br><br>• Assessing whether the provision has been calculated and recorded in accordance with the Council's policy. |

# 5. VALUE FOR MONEY

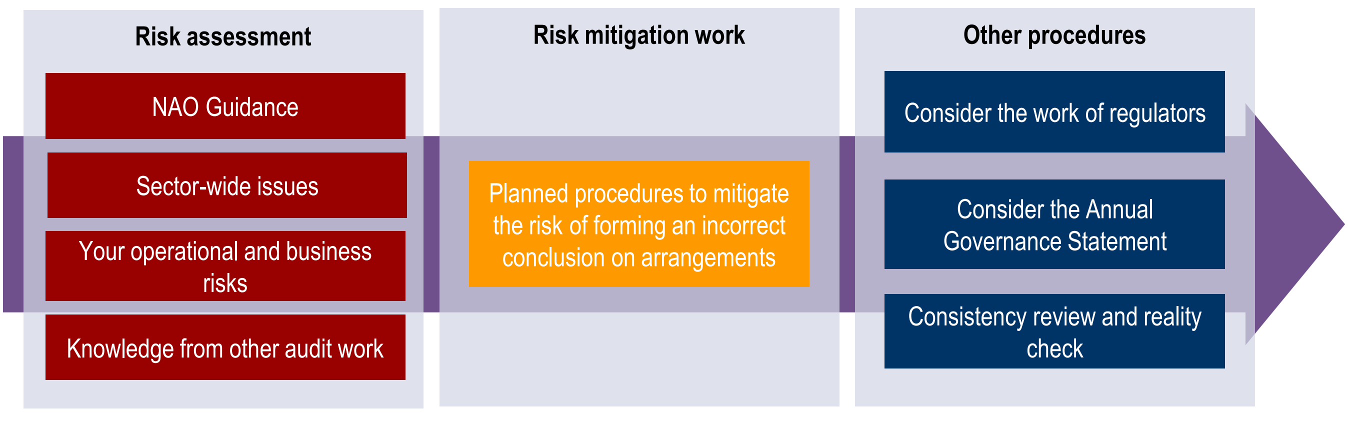
**Our approach to Value for Money**

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

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

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:
- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

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




**Significant risks**

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

For the 2019/20 financial year, we have not identified any significant risks to our VFM conclusion. We have though identified the following Matter which we need to keep to under close review:

- Financial sustainability - although the Council is forecasting a surplus for the current year, and expects to set a balanced budget for 2020/21 the future financial position is uncertain. This is common to all bodies in the local government sector. The Council is revisiting its budgets and taking forward its transformation programme which is expected to generate proposals to bridge the gap. We need to monitor the progress made and revisit position in relation to this before forming our VFM conclusion.

We will continually assess whether any matters come to our attention through the course of our audit that lead us to conclude that a risk to our VFM conclusion does exist and where any such risk is identified, these will be reported to the Audit Committee in July 2020 as part of our Audit Completion Report.

# 6. FEES FOR AUDIT AND OTHER SERVICES

The scale fees set by PSAA, as communicated in our fee letter of 24 April 2019, are set out below.

| Service | 2018/19 fee | 2019/20 fee |
|---|---|---|
| Code audit work | £38,046 | £38,046 |
| Non-Code audit work:<br>Pooling of Housing Capital Receipts Return | £4,000 | £4,000 (estimated) |

We need to alert the Committee at this stage to matters which are likely to impact on the final audit fee for the year. During 2019 there has been a raised expectation on the quality and extent of work by all auditors on:

- Defined benefit pension schemes; and
- Valuation of Property, Plant and Equipment.

Both these areas are highlighted as significant audit risks in this document. This requirement, as well as other regulatory changes affecting the audit, emerged since the current scale fees were agreed by PSAA at the start of the current contract. As a result it is expected that additional fees will need to be agreed for 2019/20. As in previous years any proposed increases to the fee to address, for example, changes to the identified risks or other additional required work will be discussed with management in the first instance and are in any event subject to approval from PSAA. We will update the Committee as the position becomes more certain and will confirm the final position in our July 2020 Audit Completion Report.

**Fees for non-PSAA work**

The Council engaged us to perform the assurance review on the Pooling of Housing Capital Receipts Return. The fee for 2018/19 was £4,000 and the expectation is that this work and this fee will apply to 2019/20. We are satisfied there are no threats to our objectivity and independence as a result of performing this work for the Council.

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

# 7. OUR COMMITMENT TO INDEPENDENCE

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

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

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

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

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

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

We have not been separately engaged by the Council to carry out any additional work in relation to the 2019/20 year in addition to the scale fees in relation to our appointment by PSAA. We were engaged by the Council in October 2019 to carry out the 'agreed upon procedures' work and report on the 2018-2019 pooling return that the Council was required to submit to the Ministry of Housing Communities and Local Government (MHCLG). This work was completed in December 2019 and the fee was £4,000. The principal threats to our independence relating to this work and identified associated safeguards are set out below:

| Service | Considerations |
|---|---|
| Housing Pooling Return | We have considered threats and safeguards as follows:<br>• Self Review: The work does not involve the preparation of information that has a material impact upon the financial statements subject to audit by Mazars;<br>• Self Interest: The total fee level is not deemed to be material to the Council or Mazars. The work undertaken is not paid on a contingency basis;<br>• Management: The work does not involve Mazars making any decisions on behalf of management;<br>• Advocacy: The work does not involve Mazars advocating the Council to third parties;<br>• Familiarity: Work is not deemed to give rise to a familiarity threat given this is the first year this piece of assurance work has been completed; and<br>• Intimidation: The nature of the work does not give rise to any intimidation threat from management to Mazars. |

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

# 8. MATERIALITY AND MISSTATEMENTS

**Summary of initial materiality thresholds**

| Threshold | £'000s |
|---|---|
| Overall materiality | 1,400 |
| Performance materiality | 1,100 |
| Trivial threshold for errors to be reported to the Audit Committee | 44 |

**Materiality**

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

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

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

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

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

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

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

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

Our provisional materiality is set based on a benchmark of total gross expenditure, adjusted to exclude the gain/loss on disposal of non-current assets. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

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

We expect to set a materiality threshold at 2% of total gross expenditure.

# 8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

Based on the prior years financial statements we anticipate the overall materiality for the year ending 31st March 2020 to be in the region of £1.4m.

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

**Performance Materiality**

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting performance materiality we have taken into account that this is our second year of audit and accordingly we can take into account our cumulative audit knowledge about the Council's financial statements. We have therefore set our performance materiality at 80% (increased from 70%) of our overall materiality being £1.1m.

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

**Specific items of lower materiality**

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

| Item of account | |
|---|---|
| Officers remuneration | £5,000* |
| Members allowances and expenses | £93,000 |
| External audit costs | £8,000 |

**Misstatements**

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

**Reporting to the Audit Committee**

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

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

# APPENDIX A – KEY COMMUNICATION POINTS

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

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

# APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

**Financial reporting changes relevant to 2019/20**

There are no significant changes in the Code of Practice on Local Authority Accounting for the 2019/20 financial year.

**Financial reporting changes in future years**

| Accounting standard | Year of application | Commentary |
|---|---|---|
| IFRS 16 – Leases | 2020/21 | The CIPFA/LASAAC Code Board has determined that the Code of Practice on Local Authority Accounting will adopt the principles of IFRS 16 Leases, for the first time from 2020/21.<br><br>IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes to the way bodies account for leases, which will have substantial implications for the majority of public sector bodies.<br><br>The most significant changes will be in respect of lessee accounting (i.e. where a body leases property or equipment from another entity). The existing distinction between operating and finance leases will be removed and instead, the new standard will require a right of use asset and an associated lease liability to be recognised on the lessee's Balance Sheet.<br><br>In order to meet the requirements of IFRS 16, all local authorities will need to undertake a significant project that is likely to be time-consuming and potentially complex. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed at an early stage of the project. |

**Bolsover District Council**

**Audit Committee**

**28th January 2020**

| Audit Committee Self – Assessment Action Plan |
|---|

**Report of the Chair of the Audit Committee**

This report is public

**Purpose of the Report**

- To present for members' attention the action plan arising from a self – assessment undertaken by the Audit Committee utilising CIPFA's self-assessment of good practice that is included within the CIPFA document "audit committees Practical Guidance for Local Authorities and Police 2018 Edition".

## 1 Report Details

1.1 The purpose of an Audit Committee is to provide 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.

1.2 The completion by Members of the Audit Committee of the self – assessment included in CIPFA's document "audit committees Practical Guidance for Local Authorities and Police 2018 Edition" is aimed at helping the Committee comply with best practice and to achieve its purpose.

1.3 At the Audit Committee meeting on the 28th November 2019 Members reviewed their compliance against the CIPFA self – assessment template and whilst many examples of good practice were noted, a number of areas for improvement were also identified. The action plan at Appendix 1 identifies the areas for improvement, the actions required, who by and a target date for completion.

1.4 The majority of the issues identified can be addressed by 2 main actions:-

- The production of an annual report to Council detailing the work of the Audit Committee and its achievements.

- The identification of any potential skill gaps that can be addressed by training. Appendix 2 - audit committee members – knowledge and skills framework is an extract from the audit committee guidance document.

## 2 Conclusions and Reasons for Recommendation

2.1 The approval and implementation of a self – assessment action plan will help to ensure that the Audit Committee complies with best practice and is fully effective.

## 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 implementation of the action plan will ensure that the Audit Committee operates in accordance with best practice. This in turn will ensure that the purpose of the audit committee is met and that 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 is provided.

### 5.2 Legal Implications including Data Protection

5.2.1 None arising from this report.

### 5.3 Human Resources Implications

5.3.1 None arising from this report.

## 6 Recommendations

6.1 That Members review and approve the self- assessment action plan.

6.2 That progress against the action plan be reported back to the Committee at its meeting in May 2020.

6.3 That Members review the Audit Committee members' – Knowledge and Skills Framework at Appendix 2 and report back to a future meeting any perceived skills shortages of the Committee as a whole.

6.4 That a further self – assessment be undertaken at the end of the calendar year.

## 7 Decision Information

| | |
|---|---|
| **Is the decision a Key Decision?**<br>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:<br>*BDC: Revenue - £75,000* ☐<br>*Capital - £150,000* ☐<br>*NEDDC: Revenue - £100,000* ☐<br>*Capital - £250,000* ☐<br>☑ *Please indicate which threshold applies* | No |
| **Is the decision subject to Call-In?**<br>(Only Key Decisions are subject to Call-In) | No |
| **Has the 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** |
|---|---|
| Appendix 1<br><br>Appendix 2 | Audit Committee Self – Assessment Action Plan January 2020<br><br>Audit Committee Members' Knowledge and Skills Framework |

| | |
|---|---|
| **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<br>Internal Audit Consortium Manager | 01246 217547 |

**Appendix 1**

# BOLSOVER DISTRICT COUNCIL – Audit Committee Self - Assessment Action Plan January 2020

| | Issue Identified | Action Identified | Action By | Target Date |
|---|---|---|---|---|
| 1 | The Audit Committee doesn’t report directly to full Council | Production of an annual report to go to full council each May / consideration of a mid -year update / provision of minutes to full council/ involvement of Scrutiny required? | Head of Finance + Resources/ IAC Manager / Chair of the Audit Committee | May 2020 |
| 2 | The role and purpose of the Audit Committee is not fully understood and accepted across the authority | Addressed by the production of an annual report as above – could also promote through including on internal training/ promote on intranet? | As above | As above |
| 3 | The Committee has not considered the wider areas of CIPFA’s position statement and whether it would be appropriate for the committee to undertake them | The wider areas to be identified and an exercise undertaken to see if these are covered elsewhere and if not if the Audit Committee wish to add them to their terms of reference – (are VFM + ethics covered by any of the Scrutiny committees?) | Head of Finance + Resources/ IAC Manager / Chair of the Audit Committee | May 2020 |
| 4 | It is unknown if there is an appropriate mix of knowledge and skills among the membership | Members to identify gaps in their skills to be addressed via training<br>Include in the induction training for the future, if not already. | Audit Committee Members / Head of Finance + Resources / IAC Manager | May 2020 |

| | Issue Identified | Action Identified | Action By | Target Date |
|---|---|---|---|---|
| 5 | The membership of the committee has not been assessed against the core knowledge and skills framework. | As above plus comparison of skills with Appendix C of CIPFA's Audit Committees: practical guidance for local authorities and police 2018 edition | Audit Committee Members / Head of Finance + Resources / IAC Manager | May 2020 |
| 6 | The Committee hasn't obtained feedback on its performance from those interacting with the committee or relying on its work | Annual report to request feedback / provide a mechanism for giving feedback. Others to be asked directly for feedback e.g. External Audit, Internal Audit, Head of Finance + Resources | Audit Committee Members/ Head of Finance + Resources/ IAC Manager | May 2020 |
| 7 | The level of engagement and discussion from Members varies | Training required? With experience comes confidence so time may be what is needed. | | |
| 8 | The Committee has not evaluated how it adds value to the organisation | This will be addressed via the production of an annual report | Audit Committee Members / Head of Finance + Resources / IAC Manager | May 2020 |
| 9 | The Committee does not have an action plan to improve any areas of weakness | Production of an action plan arising from the annual self -assessment | Head of Finance + Resources/ IAC Manager / Chair of the Audit Committee | January 2020 |

| | Issue Identified | Action Identified | Action By | Target Date |
|---|---|---|---|---|
| 10 | The Audit Committee does not publish an annual report to account for its performance and explain its work | That the Audit Committee produce an annual report for Council detailing the work that it has undertaken during the year and how it has added value to the Council's governance arrangements – tie in to the Annual Governance Statement. | Chair of the Audit Committee/ Internal Audit Consortium Manager / Head of Finance + Resources | Each April / May |

APPENDIX C

# Audit committee members – knowledge and skills framework

## CORE AREAS OF KNOWLEDGE

| Knowledge area | Details of core knowledge required | How the audit committee member is able to apply the knowledge |
|---|---|---|
| Organisational knowledge | ■ An overview of the governance structures of the authority and decision-making processes<br>■ Knowledge of the organisational objectives and major functions of the authority | ■ This knowledge will be core to most activities of the audit committee including review of the AGS, internal and external audit reports and risk registers |
| Audit committee role and functions (Chapters 3 and 6) | ■ An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements<br>■ Knowledge of the purpose and role of the audit committee | ■ This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others |
| Governance (Chapter 4) | ■ Knowledge of the seven principles of the CIPFA/Solace Framework and the requirements of the AGS<br>■ Knowledge of the local code of governance | ■ The committee will review the local code of governance and consider how governance arrangements align to the principles in the framework<br>■ The committee will plan the assurances it is to receive in order to adequately support the AGS<br>■ The committee will review the AGS and consider how the authority is meeting the principles of good governance |

| Knowledge area | Details of core knowledge required | How the audit committee member is able to apply the knowledge |
|---|---|---|
| Internal audit (Chapter 4) | ■ An awareness of the key principles of the PSIAS and the LGAN<br>■ Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled | ■ The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards<br>■ The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards<br>■ In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed<br>■ The audit committee chair is likely to be interviewed as part of the external quality assessment and the committee will receive the outcome of the assessment and action plan |
| Financial management and accounting (Chapter 4) | ■ Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them<br>■ Understanding of good financial management principles<br>■ Knowledge of how the organisation meets the requirements of the role of the CFO, as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) and the CIPFA Statement on the Role of Chief Financial Officers in Policing (2018) | ■ Reviewing the financial statements prior to publication, asking questions<br>■ Receiving the external audit report and opinion on the financial audit<br>■ Reviewing both external and internal audit recommendations relating to financial management and controls<br>■ The audit committee should consider the role of the CFO and how this is met when reviewing the AGS |
| External audit (Chapter 4) | ■ Knowledge of the role and functions of the external auditor and who currently undertakes this role<br>■ Knowledge of the key reports and assurances that external audit will provide<br>■ Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken | ■ The audit committee should meet with the external auditor regularly and receive their reports and opinions<br>■ Monitoring external audit recommendations and maximising benefit from audit process<br>■ The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service |

| Knowledge area | Details of core knowledge required | How the audit committee member is able to apply the knowledge |
|---|---|---|
| Risk management (Chapter 4) | ■ Understanding of the principles of risk management, including linkage to good governance and decision making<br>■ Knowledge of the risk management policy and strategy of the organisation<br>■ Understanding of risk governance arrangements, including the role of members and of the audit committee | ■ In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces<br>■ Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee<br>■ The committee should also review reports and action plans to develop the application of risk management practice |
| Counter fraud (Chapter 4) | ■ An understanding of the main areas of fraud and corruption risk to which the organisation is exposed<br>■ Knowledge of the principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)<br>■ Knowledge of the organisation's arrangements for tackling fraud | ■ Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy<br>■ An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment |
| Values of good governance (Chapter 5) | ■ Knowledge of the Seven Principles of Public Life<br>■ Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff<br>■ Knowledge of the whistleblowing arrangements in the authority | ■ The audit committee member will draw on this knowledge when reviewing governance issues and the AGS<br>■ Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported |

| Knowledge area | Details of core knowledge required | How the audit committee member is able to apply the knowledge |
|---|---|---|
| Treasury management (only if it is within the terms of reference of the committee to provide scrutiny) (Chapter 5) | ■ Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are:<br>– regulatory requirements<br>– treasury risks<br>– the organisation's treasury management strategy<br>– the organisation's policies and procedures in relation to treasury management<br>■ See also Treasure Your Assets (CfPS, 2017) | ■ Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny |

## SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

This section may be of particular benefit when recruiting independent members.

| Knowledge area | Details of supplementary knowledge | How the audit committee member is able to add value to the committee |
|---|---|---|
| Accountancy | ■ Professional qualification in accountancy | ■ More able to engage with the review of the accounts and financial management issues coming before the committee<br>■ Having an understanding of the professional requirements and standards that the finance function must meet will provide helpful context for discussion of risks and resource issues<br>■ More able to engage with the external auditors and understand the results of audit work |
| Internal audit | ■ Professional qualification in internal audit | ■ This would offer in-depth knowledge of professional standards of internal audit and good practice in internal auditing<br>■ The committee would be more able to provide oversight of internal audit and review the output of audit reports |
| Risk management | ■ Risk management qualification<br>■ Practical experience of applying risk management<br>■ Knowledge of risks and opportunities associated with major areas of activity | ■ Enhanced knowledge of risk management will inform the committee's oversight of the development of risk management practice<br>■ Enhanced knowledge of risks and opportunities will be helpful when reviewing risk registers |
| Governance and legal | ■ Legal qualification and knowledge of specific areas of interest to the committee, for example constitutional arrangements, data protection or contract law | ■ Legal knowledge may add value when the committee considers areas of legal risk or governance issues |
| Service knowledge relevant to the functions of the organisation | ■ Direct experience of managing or working in a service area similar to that operated by the authority<br>■ Previous scrutiny committee experience | ■ Knowledge of relevant legislation, risks and challenges associated with major service areas will help the audit committee to understand the operational context |

| Knowledge area | Details of supplementary knowledge | How the audit committee member is able to add value to the committee |
|---|---|---|
| Programme and project management | ■ Project management qualifications or practical knowledge of project management principles | ■ Expert knowledge in this area will be helpful when considering project risk management or internal audit reviews |
| IT systems and IT governance | ■ Knowledge gained from management or development work in IT | ■ Knowledge in this area will be helpful when considering IT governance arrangements or audit reviews of risks and controls |

## CORE SKILLS

| Skills | Key elements | How the audit committee member is able to apply the skill |
|---|---|---|
| Strategic thinking and understanding of materiality | ■ Able to focus on material issues and overall position, rather than being side tracked by detail | ■ When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation, but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail |
| Questioning and constructive challenge | ■ Able to frame questions that draw out relevant facts and explanations<br>■ Challenging performance and seeking explanations while avoiding hostility or grandstanding | ■ The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found |
| Focus on improvement | ■ Ensuring there is a clear plan of action and allocation of responsibility | ■ The outcome of the audit committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities<br>■ Where errors or control failures have occurred, then the audit committee should seek assurances that appropriate action has been taken |
| Able to balance practicality against theory | ■ Able to understand the practical implications of recommendations to understand how they might work in practice | ■ The audit committee should seek assurances that planned actions are practical and realistic |

| Skills | Key elements | How the audit committee member is able to apply the skill |
|---|---|---|
| Clear communication skills and focus on the needs of users | ■ Support the use of plain English in communications, avoiding jargon, acronyms, etc | ■ The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience |
| Objectivity | ■ Evaluate information on the basis of evidence presented and avoiding bias or subjectivity | ■ The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views |
| Meeting management skills | ■ Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting | ■ These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members |

**Bolsover District Council**

**Audit Committee**

**28th January 2020**

**Internal Audit Consortium Summary of Progress on the Annual Internal Audit Plan 2019/20**

**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 9th November 2019 and the 10th January 2020. 4 reports have been issued all with substantial 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:

- Cash and Bank
- Transformation Agenda
- Housing Repairs – voids
- National Non Domestic Rates
- Members IT Equipment
- Business Centres (The Tangent, Pleasley Mills)

## 2 <u>Conclusions and Reasons for Recommendation</u>

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?**<br>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:<br>*BDC:* *Revenue - £75,000* ☐<br>*Capital - £150,000* ☐<br>*NEDDC:* *Revenue - £100,000* ☐<br>*Capital - £250,000* ☐<br>☑ *Please indicate which threshold applies* | No |
| **Is the decision subject to Call-In?**<br>(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 9th November 2019 to the 10th January 2020 |

| |
|---|
| **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<br>Internal Audit Consortium Manager | 01246 217547 |

**Appendix 1**

# BOLSOVER DISTRICT COUNCIL

## Internal Audit Consortium - Report to Audit Committee

## Summary of Internal Audit Reports Issued 9th November 2019 – 10th January 2020

| Report Ref No. | Report Title | Scope and Objectives | Assurance Provided | Date | | Number of Recommendations | |
|---|---|---|---|---|---|---|---|
| | | | | Report Issued | Response Due | Made | Accepted |
| B012 | Payroll | To ensure that payments to staff and returns are made promptly and accurately. | Substantial | 30/10/19 | 20/11/19 | 1L | 1 |
| B013 | Taxi Licensing | That fees and charges are correct. Medical, DBS, Vehicle checks, knowledge tests etc. are all completed. Safeguarding information distributed and training takes place. | Substantial | 11/11/19 | 2/12/19 | 3L | 2 +Note 1 |
| B014 | Domestic Waste Collection | To review and assess the systems and processes in place | Substantial | 19/12/19 | 19/01/20 | 1L | 1 |
| B015 | Housing Rents | To ensure that rents are charged promptly and accurately and that there are debt collection procedures in place | Substantial | 19/12/19 | 19/01/20 | 1L | 1 |

Note 1 Response to 1 recommendation awaited from Governance

**Bolsover District Council**

**Audit Committee**

**28th January 2020**

| CIPFA Fraud and Corruption Tracker Survey 2019 |
|---|

**Report of the Internal Audit Consortium Manager**

This report is public

**Purpose of the Report**

- To present, for members' information the results of CIPFA's Fraud and Corruption Tracker (CFaCT) survey undertaken in 2019 that provides a picture of fraudulent activity in local government.

- To detail the controls and procedures that BDC has in place to mitigate the risk of fraud.

## 1 Report Details

1.1 The CIPFA Counter Fraud Centre was launched in July 2014 to fill the gap in the UK fraud arena following the closure of the National Fraud Authority and the Audit Commission. The CFaCT survey aims to provide a national picture of fraud, bribery and corruption in local government.

1.2 The key findings of the 2019 CIPFA Fraud and Corruption Tracker were:-

- An estimated £253 million of fraud has been detected or prevented across local authorities in 2018/19. This has dropped from £302 million in 2017/18.
- Council tax fraud represents 12.1% of the estimated value of fraud detected / prevented (78% in terms of volume) with an estimated value of £30.6m.
- The area that has grown the most in the last year is council tax single person discount with an estimated increase of £3.6m since 2017/18.
- The average value per fraud is around £3,600 per fraud case.
- Procurement, adult social care and council tax single person discount are perceived as the three greatest fraud risk areas.
- The four main areas of fraud (by volume) are – council tax, disabled parking, housing and business rates.
- The estimated volume and value of insurance fraud cases in the UK more than doubled in 2018/19 compared to the previous year.

1.3 This evidences that fraud is still a major financial threat to local authorities.

**BDC Fraud Prevention Measures**

1.4 BDC takes the risk of fraud very seriously and has a range of measures in place to reduce the risk of fraud occurring:

- There is an established approach of a zero tolerance policy towards fraud which is set out in the Council's Anti – Fraud and Bribery and Corruption Policy (including Money Laundering Policy) that was last approved by this Committee in October 2015.
- There is an allowance for special investigations in the internal audit plan.
- The Internal audit plan covers the whole of the organisation.
- The National Fraud Initiative is participated in and the results are subject to an internal audit report.
- Council tax have a rolling program of discount exemption checks
- Revenues are part of a Derbyshire Fraud Consortium which was set up to reduce / identify fraud and error for Council Tax and Benefits.
- Data matching processes with the DWP and HMRC
- The Council has a Confidential Reporting Code (Whistleblowing Policy)
- The Council has a fraud risk register
- Recruitment procedures ensure that checks are undertaken to prevent the council employing people working under false identities etc.
- The IT systems are Public Sector Network (PSN) compliant
- Separation of duties in place

## 2 <u>Conclusions and Reasons for Recommendation</u>

2.1 To inform Members of the results of the CIPFA Fraud and Corruption Tracker survey.

2.2 To provide Members with details of the fraud prevention measures in place at BDC.

## 3 <u>Consultation and Equality Impact</u>

3.1 None.

## 4 <u>Alternative Options and Reasons for Rejection</u>

4.1 None.

## 5 Implications

### 5.1 Finance and Risk Implications

5.1.1 Raising the awareness of fraud issues amongst Members and staff helps to mitigate the risk and potential cost of fraud.

### 5.2 Legal Implications including Data Protection

5.2.1 None

### 5.3 Human Resources Implications

5.3.1 None

## 6 Recommendations

6.1 That the results of CIPFA's Fraud and Corruption Tracker Survey be noted.

6.2 That the fraud prevention measures that BDC has in place be noted.

## 7 Decision Information

| | |
|---|---|
| **Is the decision a Key Decision?**<br>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:<br>*BDC: Revenue - £75,000* ☐<br>*Capital - £150,000* ☐<br>*NEDDC: Revenue - £100,000* ☐<br>*Capital - £250,000* ☐<br>☑ *Please indicate which threshold applies* | No |
| **Is the decision subject to Call-In?**<br>(Only Key Decisions are subject to Call-In) | No |
| **Has the 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 |
|---|---|
| Appendix 1 | CIPFA Fraud and Corruption Tracker Summary 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<br>Internal Audit Consortium Manager | 01246 217547 |

CIPFA The Chartered Institute of Public Finance & Accountancy

# fraud and corruption tracker

Summary Report 2019

CIPFA COUNTER FRAUD CENTRE

## Contents


**3** Foreword

**4** Introduction

**5** Executive summary

**6** Main types of fraud

– Council tax

– Disabled parking (Blue Badge)

– Housing

– Business rates

**12** Other types of fraud

– Adult social care

– Insurance

– Procurement

– No recourse to public funds/welfare assistance

– Payroll, recruitment, expenses and pension

– Economic and voluntary sector support and debt

– Mandate fraud and manipulation of data

**16** Serious and organised crime

**17** Sanctions

**17** Cyber fraud

**18** Whistleblowing

**18** Counter fraud structure

**19** Joint working/data sharing

**20** Fighting Fraud and Corruption Locally

**21** Recommendations

**22** Appendices

# Foreword

**Rob Whiteman**
Chief Executive, CIPFA

As stewards of public money, it's the responsibility of each and every public sector organisation to take an active role in the fight against corruption, bribery and fraud. The impact of financial crime on the public sector is enormous. The diversion of funding from vital public services undermines public trust, financial sustainability, organisational efficiency and makes the vulnerable people in our communities that much worse off.

The CIPFA Fraud and Corruption Tracker (CFaCT) aims to provide a current national picture of public sector fraud and corruption for local authorities and to help identify counter fraud actions that must be taken. The report's findings provide valuable insights designed to help counter fraud practitioners in local government better understand national trends and emerging risks.

This publication is part of CIPFA's commitment to support the public sector and promote the principles of strong public financial management and good governance. Not only do our findings shed valuable light on the fraudulent activities happening in public organisations across our country, but they also showcase the important role that counter fraud measures play in the larger fight against fraud and corruption.

The findings from the 2019 CFaCT survey should not be understated. Understanding the emerging risks that similar sectors face can help organisations in the broader public sector increase their individual awareness, collaborate more effectively and take tailored action to prevent illegal activity from growing in the public sphere.

By working together, all agencies involved in protecting public resources can improve clarity and efficiency in tackling fraud. Ultimately the improved outcomes that result will benefit all communities.

The survey was supported by:

Fighting Fraud & Corruption LOCALLY

Local Government Association

# The CIPFA Counter Fraud Centre

The CIPFA Counter Fraud Centre (CCFC) was launched in 2014. Building on CIPFA's 130-year history of championing excellence in public finance management, we offer a range of products and services to help organisations detect, prevent and recover fraud losses. We support the national counter fraud and anti-corruption strategy for local government, Fighting Fraud and Corruption Locally and were named in the UK Government's 2014 Anti-Corruption Plan and in the 2017–22 Anti-Corruption Strategy as having a key role to play in combating corruption, both within the UK and abroad. Through the annual CFaCT survey, we lead on measuring and monitoring fraud, bribery and corruption activity across local government.

CIPFA COUNTER FRAUD CENTRE

# Acknowledgements

CIPFA would like to thank all the organisations that completed the survey along with those that helped by supporting, contributing insights and best practices, including:

- Local Government Association
- Home Office
- The Fighting Fraud and Corruption Locally board

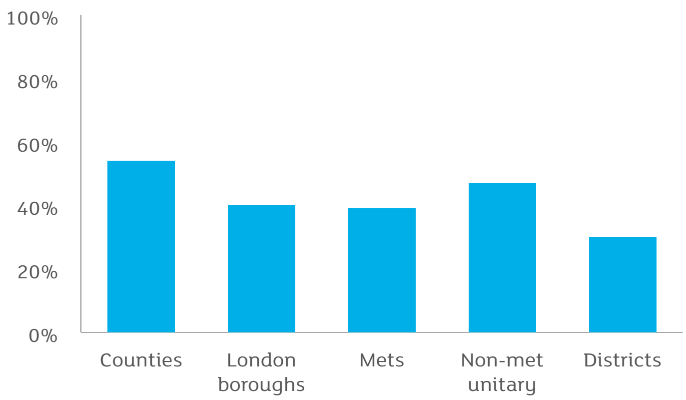
# Introduction

CIPFA recognises that each pound lost to fraud represents a loss to the public purse and reduces the ability of the public sector to provide services to people who need them. According to the Annual Fraud Indicator 2017, which provides the latest set of government sanctioned estimates, fraud costs the public sector at least £40.3bn annually, £7.8bn of which is specifically in local government.

Fraud is a widespread cause of concern in the public sector and remains a constant financial threat to local authorities. This is an ongoing issue in the sector and partners such as the Local Government Association (LGA), the National Audit Office and the Home Office actively work towards new ways of finding solutions to the challenges unique to government.

CIPFA conducted its fifth annual CFaCT survey in May 2019, with the aim of creating a national picture of the types of fraud and amount prevented or detected in local authorities. The results were received from local authorities in all UK regions, allowing CIPFA to estimate the total figures for fraud across England, Scotland, Wales and Northern Ireland.

**Response rate**

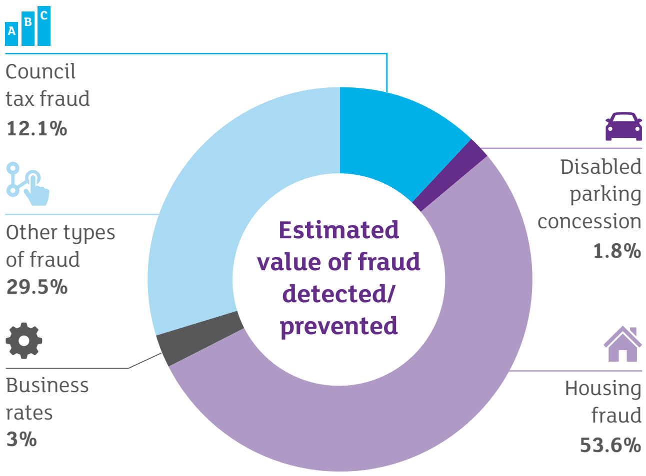


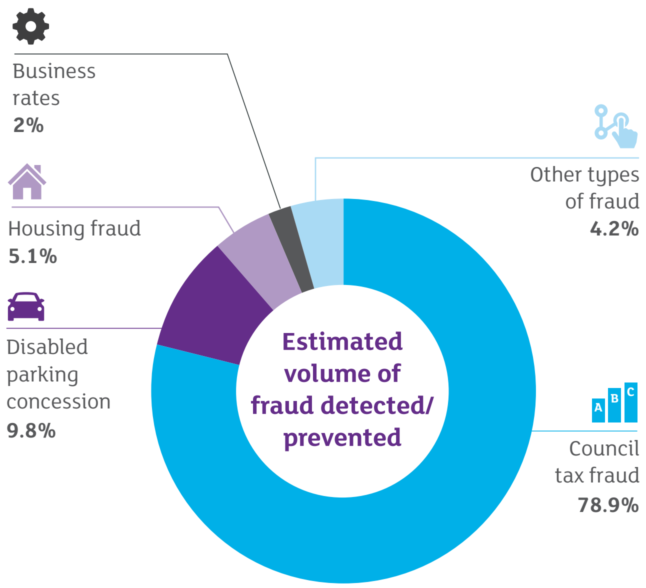

**This report highlights the following:**

- the types of fraud identified in the 2018/19 CFaCT survey
- the monetary cost of fraud in 2018/19
- the impact of counter fraud and prevention activities to improve the public sector budget
- the emerging risks and threats impacting the fraud and corruption landscape.

# Executive summary

For local authorities in the UK, CIPFA has estimated that the total value of fraud detected or prevented in 2018/19 is approximately £253m, averaging roughly £3,600 per fraud case. In 2017/18 there was an estimated value of £302m with a similar average of £3,600 per case detected or prevented.




The decrease in the total value can be largely attributed to the successful work by public authorities in housing, which has seen a year-on-year reduction in the total number of unlawfully sublet properties and false right to buy applications.

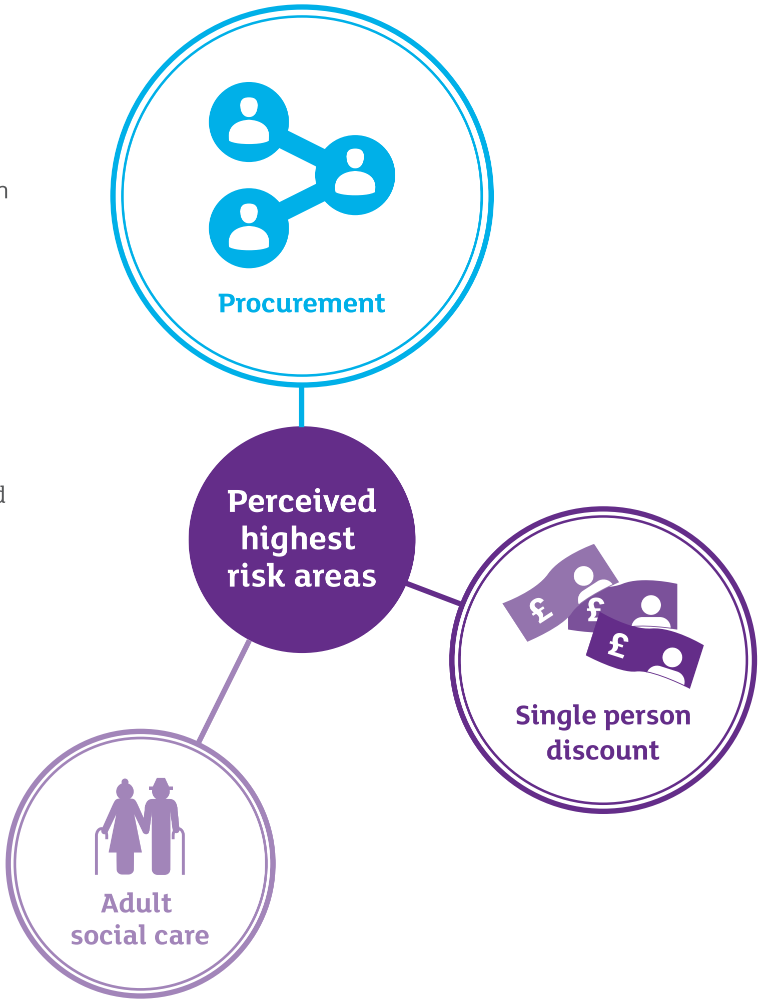
Improvements in the review of allocations and applications by many local authorities have limited the risk of new fraud cases and strengthened overall degrees of prevention. Together with low rates of tenancy turnover associated with the current social housing stock, this prevention strategy has been highly effective.

Councils reported that approximately 71,000 instances of fraud had been detected or prevented in 2018/19, which is lower than the approximate 80,000 reported by CIPFA in 2017/18. Council tax fraud represents 78% of these identified instances of fraud with an estimated value of £30.6m followed by disabled parking concession (Blue Badge scheme) and housing frauds representing 10% and 5% of the total cases of UK public sector fraud, respectively.

The area that has grown the most in the last year is council tax single person discount (SPD) with an estimated increase of £3.6m since 2017/18.

The three highest perceived fraud risk areas for 2018/19 remain unchanged from the previous iteration of this survey: procurement, council tax SPD and adult social care respectively.

Survey results show that nationally, the primary perceived issue that respondents think needs to be addressed to effectively tackle the risk of fraud and corruption is capacity – ie sufficient counter fraud resource. Better data sharing and effective fraud risk management follow as secondary and tertiary areas for improvement. Results from respondents have shown that they expect to increase the number of counter fraud specialist staff by 9% over the next year, a continuation of an upward trend for employing counter fraud specialists in councils.




In the last year, the value of fraud detected and prevented by local authorities in the UK was

**£253m**

# Major fraud areas

For 2018/19, the CFaCT survey has shown that the four main areas of fraud (by volume) that local authorities are tackling are:

- council tax
- disabled parking (Blue Badge)
- housing
- business rates.

## Council tax

Council tax has continued to be the largest area of identified fraud over the last three years and is the top fraud risk for districts and unitaries, 43% and 26%, respectively. Although the volume is significantly higher when compared to other fraud risk areas, council tax does not represent the highest cumulative value amongst all surveyed types of fraud, estimated to total £30.6m. This high volume/low value continues to be a leading trend each year.

**Table 1: Estimated council tax fraud**

| | 2016/17 | | 2017/18 | | 2018/19 | |
|---|---|---|---|---|---|---|
| | Volume | Value | Volume | Value | Volume | Value |
| SPD | 50,136 | £19.5m | 46,278 | £15.8m | 44,051 | £19.4m |
| CTR | 6,326 | £4.8m | 8,759 | £6.1m | 8,973 | £7.2m |
| Other | 674 | £1.1m | 2,857 | £4.5m | 2,831 | £4.0m |
| **Total** | **57,136** | **£25.5m** | **57,894** | **£26.3m** | **55,855** | **£30.6m** |

The total number of detected and prevented fraud cases for council tax fell in 2018/19 after rising in previous years. However, the average values of frauds, especially for SPD, has risen resulting in an increase in the total value.

**55,855**

instances of council tax fraud amounted to

**£30.6m**

in the last year

## Disabled parking (Blue Badge)

The survey has identified misuse of the Blue Badge scheme as one of the fraud risk areas that is increasing steadily. Although the number of cases has nearly halved since last year, the national estimated average value per case has increased from £499 to £657 in 2018/19. Although this value does not include cases with a normal cancellation upon death of the individual, the increase is likely to continue with new criteria in guidance released by the Department for Transport and Ministry of Housing, Communities & Local Government (MHCLG).

This guidance states that the Blue Badge scheme now extends to individuals with less 'visible' disabilities, such as dementia or anxiety disorder – one of the biggest changes to the scheme in nearly 50 years. These extended criteria came into effect in August 2019 and coincide with the launch of a new task force to aid local authorities in the prevention and detection of Blue Badge fraud.[1]

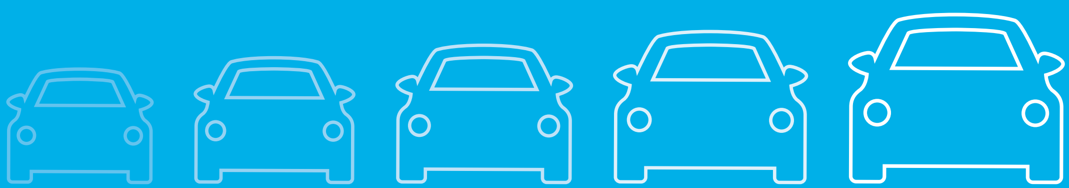
This indicates that although procurement, council tax SPD and adult social care are identified nationally as the three main fraud risk areas, Blue Badge fraud is an area of increasing risk and prominence.

Due to the varying nature of cases and local authorities' individual calculation methods, at present there is no standard means of calculating the value of Blue Badge fraud. It is challenging to directly compare the value of fraud cases detected/prevented across all UK authorities.

For example, Greater London authorities place a higher value against the fraud loss in comparison to other local authorities, with an average value of £3,340 per case compared to counties who had an average of £260 per fraud case; this is partially due parking fees being much higher in Greater London.

> "Fraud from the misuse of the Blue Badge scheme is a fraud area that is steadily increasing."

**The average case of Blue Badge fraud has increased from £499 to £657**



1 www.gov.uk/government/news/review-of-blue-badge-fraud-as-scheme-is-extended-to-those-with-hidden-disabilities

## Housing and tenancy fraud

In relation to housing fraud, councils record the income lost using different valuations that can range from a notional cost of replacing a property to the average cost for keeping a family in bed and breakfast accommodation for a year. These different approaches make it challenging to formulate clear comparisons. On a national scale, the value of fraud detected or prevented is considered in the two following ways:

- if the cases were pertaining to new-build accommodation
- if the cases were pertaining to temporary accommodation.

**3,632**

instances of housing fraud occurred in the UK last year

**Table 2: Estimated housing fraud**

| Type of fraud | 2016/17 | 2017/18 | 2018/19 |
|---|---|---|---|
| | Volume | Volume | Volume |
| Right to buy | 1,284 | 1,518 | 652 |
| Illegal sublet | 1,829 | 1,051 | 826 |
| Other* | 2,825 | 2,164 | 2,154 |
| **Total** | **5,938** | **4,733** | **3,632** |

*Other includes tenancy frauds that are neither right to buy nor illegal sublet, and may include succession and false applications.

In cases regarding new-build accommodations an average of £150k per fraud case is applied, compared to £18k for cases regarding temporary accommodations. This can be further explored by examining the comparison by tier (see Table 2).

There has been a steady downward trend in the number of housing and tenancy related frauds detected/prevented, decreasing by roughly 20% year-on-year. This trend likely indicates successful efforts by local authorities to tackle housing fraud and remove illegally sublet properties from the system.

## Business rates

Business rate fraud represents 2% of the total estimated number of fraud cases detected or prevented in 2018/19. This represents a marginal increase from the previous year's figure of 1.7% and is reflected in the fact that councils reported it as the fifth highest fraud risk area on a national scale and third highest specific to districts.

Examples of business rates fraud include fraudulent applications for exemptions, tax relief and the failure to list properties as being a business address. It often takes a visit from someone in the fraud team to discover the truth.

Even with the increased percentage overall, the estimated loss decreased to £8m from £10m the previous year.

# Other types of fraud

This section of the report examines survey responses related to other notable types of fraud that did not emerge as major types of fraud within the national picture. This section includes the following fraud types, among others[2]:

- adult social care
- insurance
- procurement
- no recourse to public funds/welfare assistance
- economic and voluntary sector support and debt
- payroll, recruitment, expenses and pension
- mandate fraud and manipulation of data.

## Adult social care

**Table 3: Estimated adult social care fraud**

| Type of fraud | 2016/17 | | 2017/18 | | 2018/19 | |
|---|---|---|---|---|---|---|
| | Volume | Value | Volume | Value | Volume | Value |
| Personal budget | 264 | £2.7m | 334 | £3.2m | 234 | £9.6m* |
| Other | 182 | £2.8m | 403 | £3.5m | 246 | £4.1m |
| **Total** | **446** | **£5.5m** | **737** | **£6.7m** | **480** | **£13.7m*** |
| **Average value per fraud** | | **£12k** | | **£9k** | | **£29k*** |

*Please note that this figure is inflated by a small number of authorities and though it is not comparable, it shows the scope of fraud possible in this area.

In 2018/19, there was a reversal of the trend of a steady decline in the average value per fraud of adult social care. In 2018/19 the average value of personal budget fraud increased, primarily as a result of a small number of very high value frauds identified in two councils. Excluding these cases, the decline in the value and volume of personal budget frauds continued. Other fraud also showed a decline in numbers of cases identified but the average value increased.

**2** An explanation of each fraud can be found in the Glossary on page 23.

## Insurance fraud

This year's survey reports an estimated number of 318 insurance fraud cases, valued cumulatively at £12.6m. In comparison to the previous year, both the estimated volume and value of insurance fraud cases in the UK more than doubled.

Respondents who identified insurance fraud also reported two confirmed insider fraud cases with a combined value of £43k.

Local authority insurance fraud cases included in this survey are a mixture of both one-off, high-value employer liability claims (such as injury at work) and frequent, low-value public liability claims (such as 'slips and trips' or property damage).

Through pro-active risk management, many risks faced by councils are being effectively identified, treated and managed. In turn, these actions have led to more effective controls and better review and management of red flags against high risk claims, contributing to higher levels of fraud prevention or detection.

## Procurement fraud

For the third year in a row, procurement fraud is seen as the highest fraud risk area. Services are constantly being procured by councils and fraud can take place at any point in the supply chain, making it difficult to both detect and measure especially once a contract has been awarded. Councils also undertake large value infrastructure and regeneration projects, usually subjected to outsourcing. As councils are responsible for the funding of these large projects, when procurement fraud does occur the sums can be significant.

This year, there was an estimated number of

# 125

**prevented** or **detected** procurement frauds.

This year, there was an estimated number of 125 prevented or detected procurement frauds with 12% of cases reported being insider fraud and 5% classified as serious and organised crime. This is a continued decline from 142 estimated fraudulent cases with a value of £5.2m in 2017/18 and 197 cases with a value of £6.2m in 2016/17.

**Table 4: Estimated procurement fraud**

| 2016/17 | | 2017/18 | | 2018/19 | |
|---|---|---|---|---|---|
| Volume | Value | Volume | Value | Volume | Value |
| 197 | £6.2m | 142 | £5.2m | 125 | £20.3m* |

*Please note this figure is attributable to mainly one organisation and though it is not comparable to other respondents, it shows the scope for fraud in this area.

Over the past 12 months MHCLG has been leading a review into the risks of fraud and corruption in local government procurement as committed to in the UK Government's Anti-Corruption Strategy 2017-2022.

## Welfare assistance and no recourse to public funds

In 2018/19, the estimated number of fraud cases related to welfare assistance dropped significantly to 24. In 2017/18 and 2016/17 there were an estimated 109 and 74 cases, respectively. The scope for the volume of cases authorities can receive in this area was demonstrated last year where the average number of cases per authority was over three times the level identified in 2018/19.

2018/19 saw the number of no recourse to public funding cases fall to an estimated 148, down from an estimated 334 cases in the previous year. This decline can possibly be attributed to fewer respondents detecting/preventing fraudulent activity in this area.

## Economic and voluntary sector (grant fraud) and debt

The number of grant fraud cases reported by local authorities responding to the survey has reduced to six cases with an average value per fraud loss of approximately £4,000. In the 2016/17 survey, there were 17 actual cases of grant fraud reported, which increased in 2017/18 to 24 cases with an average estimated loss of £14,000 per case.

The number of debt cases reported has increased to 53, and is valued at over £495,000 this year, compared to 38 reported cases in 2017/18 valued at over £150,000. This year, both the number and value of debt fraud cases increased, despite a decline in the survey's response rate. This might indicate that debt fraud likely has a higher scope for fraudulent activity than previously expected.

> "The number of grant fund fraud cases reported by local authorities has gone down to six."

## Payroll, expenses, recruitment and pension

The total value of the fraud loss for these four areas in 2018/19 was an estimated £9.42m. This figure was inflated by one incident of payroll fraud that was prevented by an authority and though it is not comparable on a national basis, it reflects the scope of fraud for this area.

Measuring the cost of these frauds can be quite difficult as they carry implications that include reputational damage, the costs of further recruitment and investigations into the motives behind the fraud. This could indicate that some organisations are less likely to investigate or report investigations in these areas.

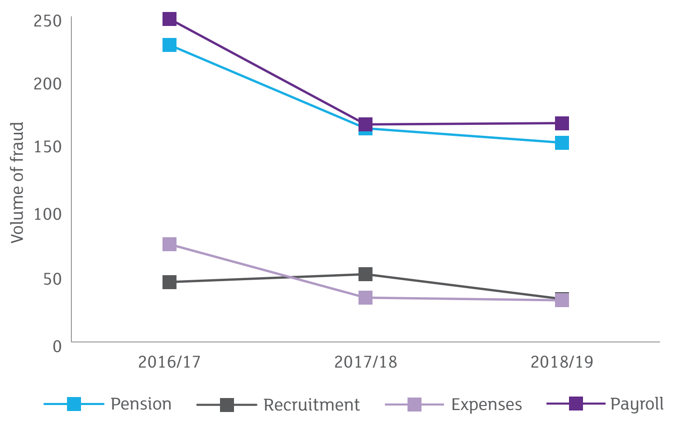
Payroll has had the highest volume and value of fraud out of these four areas (payroll, expenses, recruitment and pension) for every year since 2016/17. Recruitment fraud has the second highest with an estimated average per case of £11,381.

**Table 5: Estimated payroll, expenses, recruitment and pension fraud**

| | 2016/17 | | 2017/18 | | 2018/19 | |
|---|---|---|---|---|---|---|
| **Type** | **Volume** | **Value** | **Volume** | **Value** | **Volume** | **Value** |
| Payroll | 248 | £1.0m | 167 | £1.01m | 168 | £8.77m* |
| Expenses | 75 | £0.1m | 34 | £0.03m | 32 | £0.04m |
| Recruit-ment | 46 | £0.2m | 52 | £0.49m | 33 | £0.38m |
| Pension | 228 | £0.8m | 164 | £0.57m | 153 | £0.23m |
| **Total** | **597** | **£2.1m** | **417** | **£2.1m** | **386** | **£9.42m*** |

*Please note this figure is attributable to mainly one organisation and though it is not comparable to other respondents, it shows the scope for fraud in this area.

### Changes in fraud volume




## Manipulation of data (financial or non-financial) and mandate fraud

CIPFA estimates that across the UK in 2018/19 there were 34 cases of manipulation of data fraud, which is an increase from the estimated cases in 2017/18 following a dip compared to the year before that.

There were 322 estimated cases of mandate fraud in 2018/19 compared to 257 estimated cases detected or prevented in 2017/18.

# Serious and organised crime

Organised crime often involves complicated and large-scale fraudulent activities which cross more than one boundary, such as payroll, mandate fraud, insurance claims, business rates and procurement. These activities demand considerable resources to investigate and require organisations to co-operate in order to successfully bring criminals to justice.

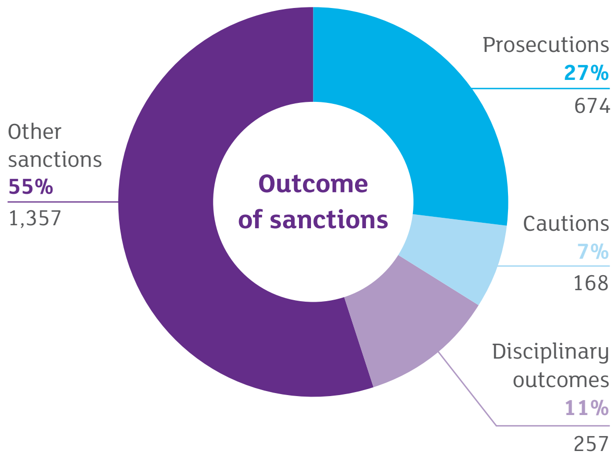
The 2018/19 survey identified 24 cases of serious and organised crime, a decrease from the 56 in 2017/18 which had doubled from the year before that. All of this year's cases come from metropolitan, districts, London boroughs and counties. This may indicate that larger and more complex authorities bear a greater risk of being targeted by serious and organised crime. The responses show that councils share a significant amount of data both internally and externally, with 72% sharing data with the Cabinet Office/ National Fraud Initiative, 52% sharing data with the police and 49% sharing data with their peers (other councils).

Of the organisations that responded, 35% identified serious and organised crime within their organisation's risk register.

# Sanctions

The following shows some of the key findings from sanctions that are being used in CFaCT 2018/19:

- 674 prosecutions were completed in 2018/19. Of these 17 involved insider fraud and 14 of those insider fraud cases were found guilty.
- The number of cautions increased from 9% in 2016/17 to 13% in 2017/18 but reduced to 7% in 2018/19.
- The percentage of other sanctions dropped from 53% in 2016/17 to 46% in 2017/18 but increased to 55% in 2018/19.




# Cyber fraud

Results from the CFaCT survey show that 74% of respondents last underwent a cyber/e-fraud risk assessment during or after 2018/19 and 78% state that the IT team/senior information risk owner is responsible for the management of cyber risk in their organisation.

Twenty seven percent of respondents stated that their organisation had been a victim of hacking/distributed denial of service attacks in the last month.

In response to the threat of cybercrime against local government, the LGA has set up a Cyber Security Programme and a stakeholder group, working to address the issues.

The LGA's Cyber Security Programme received three years of funding from the National Cyber Security Programme (NCSP) in 2018 to help councils remain safe from cyber attacks and put appropriate arrangements in place to deal effectively with a cyber incident should it occur, ie both prevention and response.

# Whistleblowing

This year, 67% of respondents said they annually reviewed their whistleblowing arrangements in line with BS PAS 1998:2008 Whistleblowing Arrangements Code of Practice. Councils also named other codes of practices with which they are aligning.

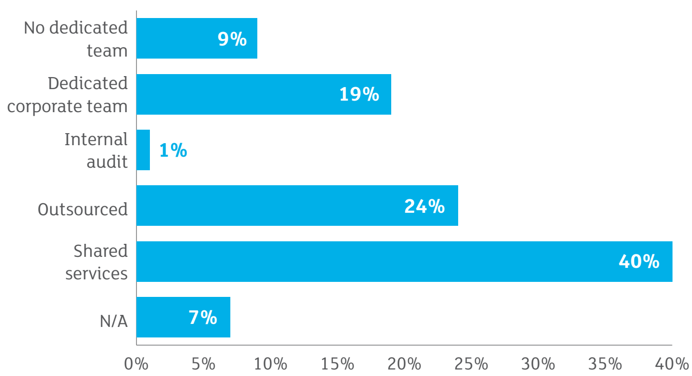
Of those questioned, 86% confirmed that staff and the public had access to a helpdesk and 70% said that the helpline conformed to the BS PAS1998:2008.

Respondents reported a total of 755 whistleblowing cases logged, made in line with BS PAS 1998:2008, representing disclosures in all areas – not just with regard to suspected fraudulent behaviour. This is an average of six cases logged per authority, double last year's average of three per authority. Responses showed that the majority of cases were logged by London councils and metropolitan districts.

# Counter fraud structure

Fraud teams across local government continue to detect and prevent a significant amount of fraud, although counter fraud resource is the main perceived issue that need to be addressed to tackle fraud. Councils are responding to this perceived need and expect the number of counter fraud specialist staff to grow by around 9% in the next year, followed by a small increase in 2021.

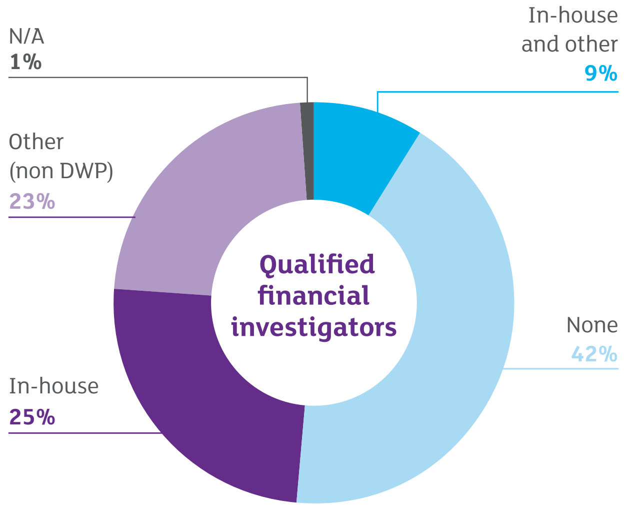
### Counter fraud structure breakdown




Adopting a shared services structure is increasingly popular and this year it was reported that 19% of respondents have such a structure compared to 14% last year. Some smaller authorities have likely adopted this approach for its associated resiliency and cost efficiency.

There has been a decrease in authorities that have a dedicated counter fraud team – from 51% in 2017/18 to 40% in 2018/19. However, it is worth noting there may be a potential bias in this figure as those who have a dedicated counter fraud team are more likely and able to return data for the CFaCT survey.

The number of available in-house qualified financial investigators has increased from 31% in 2017/18 to 44% in 2018/19. In addition, the percentage of authorities that have a non-Department of Work and Pensions (DWP) qualified financial investigator increased from 23% in 2017/18 to 25% in 2018/19. However, the number of authorities that don't have a qualified financial investigator available to their organisation has increased from 41% last year to 43%.




# Joint working/data sharing

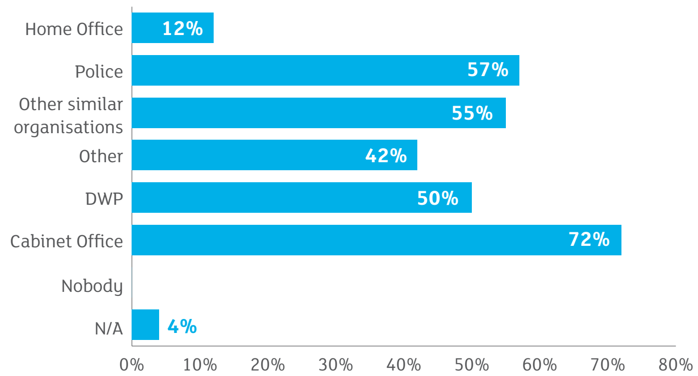
Eighty-nine percent of survey respondents have stated that they share data internally, mainly with housing, council tax and revenue/benefits departments.

Ninety-six percent of local authorities share data externally which is an increase of 2% from 2017/18. This data is mainly shared with Cabinet Office/National Fraud Initiative (72%), police (57%), other authorities/similar organisations (55%) and the DWP (50%).

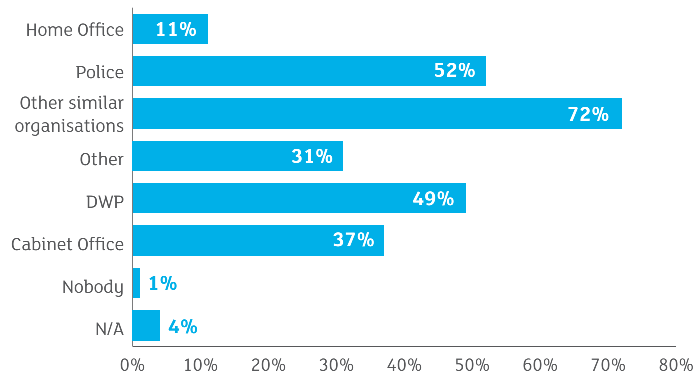
The sort of data that is shared relates to persons of interest, areas of interest and emerging frauds. Some authorities also highlighted that the kind of data they share is for data-matching purposes.

Of the CFaCT respondents, 72% say they work jointly with other similar organisations/peers, 52% work with the police and 49% with the DWP. Further breakdown is shown in the following chart.

**Share/exchange data with:**

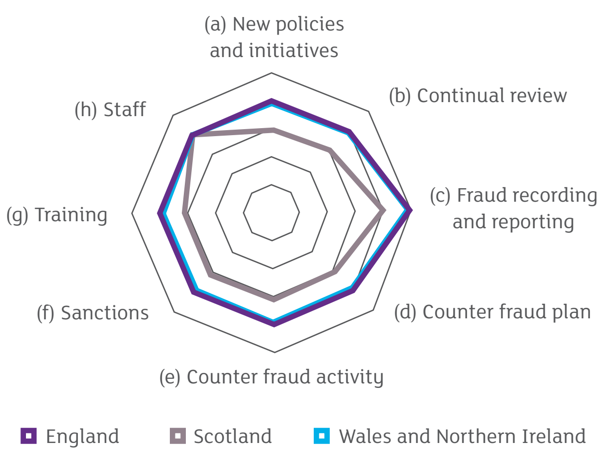



**Work jointly with:**



# Fighting Fraud and Corruption Locally

The Fighting Fraud and Corruption Locally (FFCL) Strategy 2016-2019 was developed by local authorities and counter fraud experts and is currently being reviewed. It is the definitive guide for local authority leaders, chief executives, finance directors and all those with governance responsibilities.




This strategy is available for councils to use freely, so that everyone can benefit from shared good practice, and is aimed at local authority leaders. It provides advice on how to lead and communicate counter fraud and corruption activity for the greatest impact, as well as covering resource management and investment in counter fraud operations.

To measure the effectiveness of its 2016-2019 strategy, the FFCL board includes questions in the CFaCT survey. The questions ask respondents whether they agree or disagree that their organisation is carrying out certain actions, based on FFCL recommendations. The diagram to the left illustrates the results; lines closest to the outside edge indicate strong agreement while those towards the centre indicate disagreement.

> "The FFCL strategy is the definitive guide for local authority leaders. Everyone can benefit from good practice."

# Recommendations

## CIPFA recommends

- **The cumulative value of fraud prevented/ detected by local authorities has declined year-on-year.** Public sector organisations must remain vigilant and determined in identifying and preventing fraud throughout their procurement processes.
- **This year's findings show that shared services counter fraud structures are becoming more popular amongst authorities.** Effective practices for detecting and preventing fraud should be shared and adopted across the sector. Fraud prevention should be embedded in 'business as usual' across an entire organisation to improve the effectiveness of preventative measures.
- **Although the number of qualified investigators has increased over the past year, the survey shows a decline in the number of authorities with a dedicated counter fraud team.** All staff, across all public sector work functions, should receive fraud awareness training in order to better identify fraud risks, fraud attempts and implement effective controls.
- **According to respondents, a lack of adequate counter fraud resources is the main perceived issue that needs to be addressed to effectively tackle fraud.** All organisations should ensure that they have strong counter fraud leadership at the heart of senior decision-making teams. Fraud teams and practitioners should be supported in presenting business cases to resource their work effectively.
- **The survey shows that the overwhelming majority of authorities share data externally, however vast discrepancies exist among the organisations that receive that shared data.** Public sector organisations should continue to maximise opportunities to share data and to explore innovative use of data, including sharing with law enforcement bodies and third party experts.
- **In the past year, 89% of local authorities shared fraud-related data internally.** Where counter fraud functions are decentralised within an authority, counter fraud leads should ensure effective inter-departmental collaboration (ie between housing, IT (cyber security), revenues, etc). For some authorities, necessary collaboration could be achieved through the formation of a counter-fraud working group.
- **In-line with the FFCL Strategy 2016-2019**, the importance of the fraud team's work should be built into both internal and external communication plans. Publicly highlighting a zero tolerance approach can work to improve the reputation and budget position of authorities.

> "The importance of the fraud team's work should be built into both internal and external communications plans."

# Appendix 1: Fraud types and estimated value/volume

The table below shows the types of frauds reported in the survey and the estimated volume and value during 2018/19.

| Types of fraud | Fraud cases | % of the total | Value | % of the total value | Average |
|---|---|---|---|---|---|
| Council tax | 55,855 | 78.9% | £30.6m | 12.1% | £548 |
| Disabled parking concession | 6,951 | 9.8% | £4.6m | 1.1% | £657 |
| Housing | 3,632 | 5.1% | £135.6m | 53.6% | £37,332 |
| Business rates | 1,404 | 2.0% | £7.7m | 3.0% | £5,455 |
| Other fraud | 616 | 0.9% | £6.0m | 2.4% | £9,779 |
| Adult social care | 480 | 0.7% | £13.7m* | 5.4%* | £28,534* |
| Schools frauds (excl. transport) | 391 | 0.6% | £0.7m | 0.3% | £1,893 |
| Mandate fraud | 322 | 0.5% | £4.7m | 1.8% | £14,506 |
| Insurance claims | 318 | 0.5% | £12.6m | 5.0% | £39,636 |
| Payroll | 168 | 0.2% | £8.8m* | 3.5%* | £52,270* |
| Pensions | 153 | 0.2% | £0.2m | 0.1% | £1,498 |
| No recourse to public funds | 148 | 0.2% | £1.4m | 0.6% | £9,483 |
| Procurement | 125 | 0.2% | £20.3m* | 8.0%* | £161,565* |
| Debt | 77 | 0.1% | £0.6m | 0.2% | £7,278 |
| Manipulation of data | 34 | 0.1% | na | na | na |
| Recruitment | 33 | 0.1% | £0.4m | 0.2% | £11,381 |
| Expenses | 32 | 0.1% | £0.0m | 0.0% | £1,124 |
| School transport | 31 | 0.0% | £4.8m | 1.9% | £154,601 |
| Welfare Assistance | 24 | 0.0% | £0.0m | 0.0% | £1,824 |
| Children social care | 19 | 0.0% | £0.4m | 0.2% | £22,076 |
| Economic and voluntary sector support | 14 | 0.0% | £0.1m | 0.0% | £4,005 |
| Investments | 2 | 0.0% | na* | na* | na* |

*The figures for investments are not available as only one response was received and thus the amount is not representative of the national average. The other figures in this table are affected by a small number of councils that had high value frauds not indicative of the national average.

# Appendix 2: Methodology

This year's results are based on responses from 142 local authorities. An estimated total volume and value of fraud has been calculated for all local authorities in England, Wales, Scotland and Northern Ireland. Missing values are calculated according to the size of the authority and for each type of fraud an appropriate universal measure of size has been selected, such as local authority housing stock for housing frauds.

From the responses, the number of cases per each unit of measurement is calculated and used to estimate the missing values. Then, for each missing authority, the estimated number of cases is multiplied by the average value per case provided by respondents to give an estimated total value. As an illustration, if the number of housing frauds per house is 0.01 and a missing authority has 1,000 houses in its housing stock, we estimate the number of frauds as 10. If the average value per case is £100,000 then the total estimated value of fraud for that authority is £1m.

# Appendix 3: Glossary

Definitions below are taken from CIPFA's CFaCT survey, the Annual Fraud Indicator and other government sources.

**Adult social care fraud:**

Adult social care fraud can happen in a number of ways but the increase in personal budgets gives a greater opportunity for misuse.

**Investigations cover cases where:**

- direct payments were not being used to pay for the care of the vulnerable adult
- care workers were claiming money for time they had not worked or were spending the allocated budget inappropriately.

**Blue Badge:**

The Blue Badge is a Europe-wide scheme allowing holders of the permit to parking concessions which are locally administered and are issued to those with disabilities so they can park nearer to their destination.

At present, a badge issued to a deceased person is classified as fraudulent, even if it is not being used for fraudulent purposes.

**Business rates fraud:**

Business rates fraud is not a transparent landscape for the fraud investigator, with legislation making it difficult to separate evasion and avoidance. Business rate fraud may include the fraudulent applications for exemptions and reliefs and unlisted properties, and fraud staff may be used to visit properties in question.

### Cautions:

Cautions relate to a verbal warning given in circumstances where there is enough evidence to prosecute, but it is felt that it is not in the public interest to do so in that instance.

### Council tax fraud:

Council tax is the tax levied on domestic properties and collected by district and unitary authorities in England and Wales and levying authorities in Scotland.

Council tax fraud is split into three sections:

- Council tax single person discount – where the council tax payer claims for occupiers who don't exist they are the only occupant eligible to pay.
- Council tax reduction support – where the council tax payer fails to declare their income correctly.
- Other types of council tax fraud – eg claims for exemptions or discounts to which the council tax payer has no entitlement.

### Debt fraud:

Debt fraud includes fraudulently avoiding a payment of debt to an organisation, excluding council tax discount.

### Disciplinary outcomes:

Disciplinary outcomes relate to the number of instances where as a result of an investigation by a fraud team, disciplinary action is undertaken, or where a subject resigns during the disciplinary process.

### Economic and voluntary sector (grant fraud):

This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation.

### Housing fraud:

Fraud within housing takes a number of forms, including sub-letting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home abandonment, and right to buy.

### Insurance fraud:

Insurance fraud includes any insurance claim that is proved to be false, made against the organisation or the organisation's insurers.

### Mandate fraud:

Action Fraud defines mandate fraud as "when someone gets you to change a direct debit, standing order or bank transfer mandate, by purporting to be an organisation you make regular payments to, for example a subscription or membership organisation or your business supplier".

### Manipulation of data fraud:

The majority of manipulation of data frauds relate to employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation. It also includes individuals using their position to change and manipulate data fraudulently or in assisting or providing access to a family member or friend.

### No recourse to public funds:

No recourse to public funds prevents any person with that restriction from accessing certain public funds. A person who claims public funds despite such a condition is committing a criminal offence.

### Organised crime:

The widely used definition of organised crime is one planned, co-ordinated and conducted by people working together on a continuing basis. Their motivation is often, but not always, financial gain.

### Payroll fraud:

Payroll fraud covers a wide range of areas such as ghost employees on the payroll, diversion of payments into fraudulent accounts, employees set up to receive higher salaries than they are entitled to by either grade or hours worked and false overtime claims.

### Procurement fraud:

The procurement of goods and services often accounts for a significant proportion of an organisation's expenditure and is open to a wide range of potential fraud risks. This is because there are usually multiple individuals involved in a process who often do not work closely together: ie the person who wants something purchased does not always work directly with the people who initiate orders and with those responsible for paying.

This includes any fraud associated with the false procurement of goods and services for an organisation by an internal or external person(s) or organisations in the 'purchase to pay' or post contract procedure, including contract monitoring.

### Recruitment fraud:

Recruitment fraud includes applicants providing false CVs, job histories, qualifications, references, immigration status (ie the right to work in the UK) or the use of a false identity to hide criminal convictions or immigration status.

### Right to buy:

Right to buy is the scheme that allows tenants that have lived in their properties for a qualifying period the right to purchase the property at a discount. Fraud is committed when an applicant has made false representations regarding the qualifying criteria, such as being resident in the property they are purchasing for a 12 month continuous period prior to application.

### Welfare assistance:

Organisations have a limited amount of money available for welfare assistance claims so the criteria for applications are becoming increasingly stringent. Awards are discretionary and may come as either a crisis payment or some form of support payment.

### Whistleblowing:

Effective whistleblowing allows staff or the public to raise concerns about a crime, criminal offence, miscarriage of justice or dangers to health and safety in a structured and defined way. It can enable teams to uncover significant frauds that may otherwise have gone undiscovered. Organisations should therefore ensure that whistleblowing processes are reviewed regularly.

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2019/11

**Bolsover District Council**

**Audit Committee**

**28th January 2020**

**Accounting Policies – 2019/20**

**Report of the Head of Finance and Resources**

This report is public

**Purpose of the Report**

- The Committee is asked to approve the accounting policies at **Appendix 1.** These are for the current financial year and relate to the preparation of the Statement of Accounts for 2019/20.

**1 Report Details**

1.1 The accounting policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year end. They determine the specific principles, bases, conventions, rules and practices that will be applied by the Council in preparing and presenting its financial statements. The accounting policies are published within the Statement of Accounts document in accordance with the Code of Practice on Local Authority Accounting and incorporate the requirements of International Financial Reporting Standards (IRFS).

1.2 The approval of the accounting policies to be applied by the Council demonstrates that due consideration is being given to which policies to adopt and apply and that those charged with governance are fully informed prior to the commencement of the Statement of Accounts preparation, of the polies that are being adopted.

1.3 This report therefore presents the accounting policies that the Council will apply in the preparation of the Statement of Accounts for 2019/20.

**Accounting Policies**

1.4 Officers have reviewed and updated where necessary, the existing accounting policies that were agreed for 2018/19. They have been checked for their relevance, clarity, legislative compliance and that they are in accordance with the latest version of the code of practice and IFRS requirements.

1.5 The proposed accounting policies for 2019/20 are largely unchanged from previous years with only minor changes to aid understanding. However, as the Statement of Accounts for 2019/20 are prepared it may be necessary to make an amendment to a policy in order to adopt a more appropriate accounting policy. Full details of the proposed accounting policies for the current financial year are provided at **Appendix 1**.

## 2 Conclusions and Reasons for Recommendation

2.1 This report sets out the accounting policies which are to be applied for the 2019/20 Statement of Accounts for consideration by the Audit Committee. Given that the policies adopted have a significant influence upon the accounting statements it is important that these are given appropriate consideration at the outset of the preparation of the Statement of Accounts. This helps ensure that they are applied consistently in the preparation of the accounts. The policies which are recommended are in line with those that were used in the previous financial year (2018/19).

## 3 Consultation and Equality Impact

3.1 This report to Audit Committee is essentially the consultation process concerning the proposed Accounting Policies for this financial year (2019/20). It is largely a technical document but it is important that those charged with governance have the opportunity to review the document.

3.2 There are no equality impact implications from this report.

## 4 Alternative Options and Reasons for Rejection

4.1 The Council is required to have appropriate accounting policies within its Statement of Accounts. Officers have developed what they consider to be an appropriate set of policies based upon those adopted in previous financial years and taking account of changes as required by current legislation. The preparation and consideration of this report is part of a process intended to ensure that alternative options are given appropriate consideration.

## 5 Implications

### 5.1 Finance and Risk Implications

5.1.1 There are no direct financial implications arising from this report. The accounting policies will however be used to determine the accounting treatment of the financial transactions of the Council for 2019/20 and will therefore influence the presentation and understanding of the financial position of the Council as at 31 March 2020.

5.1.2 None of the policies outlined in **Appendix 1** are considered to be in conflict with legislative or IFRS requirements therefore the risk of adopting a policy that contravenes good practice is considered minimal. The greater risk is the failure to ensure that the policy and the actual accounting treatment are consistent. To minimise this risk the final accounts timetable for 2019/20 has officer review time built in to cross check the policies to the actual treatment of items within the accounts.

### 5.2 Legal Implications including Data Protection

5.2.1 The agreement of appropriate accounting policies is part of the process of ensuring that the Council satisfies its legal obligation to prepare a Statement of Accounts. The accounting policies adopted by the Council must comply with current legislation, the Code of Practice on Local Authority Accounting and IFRS requirements. Officers have given careful consideration to the policies detailed at **Appendix 1** to ensure that they meet all these requirements.

5.2.2 There are no data protection issues arising directly from this report.

5.3 **Human Resources Implications**

5.3.1 There are no Human Resource implications arising from this report.

## 6 Recommendations

6.1 That the Audit Committee approve the accounting policies detailed at **Appendix 1** to this report.

## 7 Decision Information

| | |
|---|---|
| **Is the decision a Key Decision?**<br>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:<br>*BDC:* *Revenue - £75,000* ☐<br>*Capital - £150,000* ☐<br>*NEDDC:* *Revenue - £100,000* ☐<br>*Capital - £250,000* ☐<br>☑ *Please indicate which threshold applies* | No |
| **Is the decision subject to Call-In?**<br>(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 | Accounting Policies |
| **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 |

**Bolsover District Council - Annual Accounts 2019/20**

## 1 Accounting Policies

### Notes to the Core Financial Statements

### a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year end of 31st March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require them to be prepared in accordance with proper accounting practices. These practices primarily consist of the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Council does not have any transactions that are reclassifiable to the Surplus or Deficit on the Provision of Services. As such we have not grouped the items in Other Comprehensive Income and Expenditure into amounts that may be reclassifiable and amounts that are not.

### b) Accounting Concepts

The concepts used in selecting and applying the most appropriate policies and estimation techniques are as follows:

- The qualitative characteristics of financial information - relevance, reliability, comparability and understanding;
- Materiality (all major transactions and events are included);
- The accounting concepts of accruals, going concern and the primacy of legislative requirements.

### c) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

· Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract. An exception to this principle is planning fee income. This is included in the year it is received without an adjustment for a proportion of applications where the final decision is given in the new year, based on the grounds of materiality.

· Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

· Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

· Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;

● Where revenue or expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

An exception to this principle relates to electricity and other similar periodic payments which are charged at the date of meter reading rather than being apportioned between financial years. Rental income from HRA dwellings is included without an adjustment for the over lap between financial years on the grounds of materiality. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

Income and expenditure are credited and debited to the relevant service revenue account unless they properly represent capital receipts or capital expenditure.

Grant claims are submitted on an actual basis wherever possible. However if the information required is not available then a best estimate basis is adopted.

**d) Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

The Council has a number of Call accounts to meet short-term cash flow requirements where no notice is required to access funds.

Call accounts held to make a gain from favourable rates of interest are classed as investments and not cash equivalents. This also applies to Money Market Funds and fixed term investments.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

**e) Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation costs are therefore replaced by the contribution in the General Fund of a Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Council's policy for the calculation of the statutory provision for the repayment of debt is determined each year by the Council. The Council has decided that for 2019/20 the outstanding general fund debt prior to 1 April 2007 will be repaid at a rate of 4% of outstanding debt per year until the debt is extinguished. Any prudential borrowing for the General Fund incurred after 1 April 2007 is repaid based on the life of the asset concerned.

**f) Collection Fund**

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

**Accounting for Council Tax and NDR**

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

All debtor balances for the above that are past due are impaired because payments due under the statutory arrangements have not been made (fixed or determinable payments). The asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

**Non-Domestic Rates Appeal**

The Council will commission each year, an independent assessment at 31 March of the outstanding appeals lodged with the Valuation Office Agency (VOA). The assessment will review every individual appeal and estimate the likelihood of the appeal succeeding based on the category of appeal and previous appeal determinations.

**g) Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the accounting statements; they are disclosed by way of a note to the accounts where it is probable that there will be an inflow of economic benefit or service potential.

## h) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the accounting statements; they are disclosed in a note to the accounts.

## i) Employee Benefits

### Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end but which can be carried forward into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, as this is the period in which the employee takes the benefit. The accrual is charged to the relevant service area of the Comprehensive Income and Expenditure Statement but then is reversed out through the Movement in Reserves Statement so that the annual leave is charged to revenue in the financial year in which the annual leave occurs.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the Pension Fund or pensioner in year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with accrued debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year end.

**Post Employment Benefits**

Employees of the Council are members of the Local Government Pension Scheme (LGPS), which is administered by Derbyshire County Council on behalf of Bolsover District Council. The scheme provides defined benefits to members (lump sums and pensions) earned as employees working for the Council.

**The Local Government Pension Scheme**

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

· The liabilities of the Derbyshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of projected earnings for current employees.

· Liabilities are measured using the projected unit method and discounted at the balance sheet date rate of return on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the weighted average of 'spot yields' on AA rated corporate bonds.

The change in the net pension liability is analysed into the following components:

- Service cost comprising:

▪ Current Service Cost – the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

▪ Past Service Cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. These costs are debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

▪ Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. The cost is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Remeasurements comprising:

- The Return on Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve as Other Comprehensive Income and Expenditure.

- · Contributions Paid to the County Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities. These are not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve therefore measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits are earned by employees.

**Discretionary Benefits**

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## j) Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.  Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.

- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial impact.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

**k) Exceptional Items**

Exceptional items are included in the cost of the service to which they relate or on the face of the Comprehensive Income and Expenditure Statement if that degree of prominence is necessary in order to give a fair presentation of the accounts. An adequate description of each exceptional item is given within the notes to the accounts.

**l) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively by adjusting the opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the period.

**m) Financial Instruments**

The Council is required to recognise, measure, present and disclose information about any financial instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Typical financial assets include bank deposits, trade receivables and other receivables, loans receivable and advances. Typical financial liabilities include trade payables and other payables, borrowings and financial guarantees. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest). Interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

### Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest.

### Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

When loans are made at less than market rates (a soft loan), a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the organisation, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund balance is the interest receivable for the financial year.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**Expected Credit Loss Model**

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

A simplified approach can be used for certain financial assets under which impairment losses are automatically based on lifetime expected credit losses, removing the need to consider changes in credit risk since initial recognition and the possibility that the appropriate measure should be 12-month expected credit losses. The Council uses the simplified approach for trade receivables (debtors) held by the Council.

The Council is not allowed to recognise a loss allowance for expected credit loss where the counterparty for a financial asset is central government or a local authority (including parish) for which relevant statutory provisions prevent default.

**Financial Assets Measured at Fair Value through Profit or Loss**

Financial assets that are measured as FVPL are recognised on the Balance Sheet when the council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices - the market price.
- other instruments with fixed and determinable payments - discounted cash flow analysis.
- equity shares with no quoted market prices - an estimate based on what the Council would receive if it redeemed the shares.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs - quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs - inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs - unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## n) Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments; and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors (receipts in advance). When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure it is posted to the Capital Grants Unapplied Reserve. Where it has been applied it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

**o) Heritage Assets**

Heritage assets are a distinct class of asset which are reported separately from property, plant and equipment and intangible assets.

There is a de-minimis level of £10,000 applied to Heritage Assets in line with the accounting policy on Property, Plant and Equipment. The Heritage Assets held by the Council are currently below the de-minimis level.

**p) Intangible Assets**

Expenditure on non-monetary assets that do not have a physical substance but are identifiable and controlled by the Council as a result of past events (for example computer software) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are initially measured at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice no intangible asset, held by the Council meets this criterion and they are therefore carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Each intangible asset is tested for impairment each year to see if there is an indication that the asset may be impaired. Any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising from the disposal of an intangible fixed asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for any sale proceeds in excess of £10,000, the Capital Receipts Reserve.

**q) Interests in Companies and Other Entities**

The Council has no material interests in any companies or other entities that have the nature of subsidiaries, associates or jointly controlled entities that would require it to prepare group accounts.

However, the Council has a joint venture in Dragonfly Developments Limited. This is being accounted for as a fair value through profit and loss financial asset. Group accounts are not being prepared based on materiality.

**r) Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other operators that involve the use of assets and resources of the operators rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the share of expenditure it incurs and the share of income it earns from the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other operators, with the assets being used to obtain benefit for the operators. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

The Council has the following jointly controlled operations:

Internal Audit Services - with North East Derbyshire District Council and Chesterfield Borough Council

ICT Services - with North East Derbyshire District Council and Derbyshire Dales District Council

Environmental Health Services - with North East Derbyshire District Council as part of the Strategic Alliance

The Council has jointly controlled assets with Chesterfield Borough Council and North East Derbyshire District Council regarding the operation of a crematorium. The Council holds a share of the joint crematorium committee. The Council's share of the crematorium's assets and income and expenditure for 2019/20 is 15%, (2018/19 15%). On the basis of materiality, Bolsover District Council does not include any figures for the joint crematorium within the Statement of Accounts.

**s) Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

**t) Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and, for sale proceeds in excess of £10,000, to the Capital Receipts Reserve.

**u) Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee (The Council). All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

**The Council as Lessee**

**Finance Leases**

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease inception. The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment and applied to write down the lease liability;

- a finance charge (debited to the Finance and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example if there is a rent-free period at the commencement of the lease).

**The Council as Lessor**

**Finance Leases**

The Council currently has no finance leases for property.

**Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental Income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments e.g. there is a premium paid at the start of the lease. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the asset and charged as an expense over the lease term on the same basis as rental income.

**v) Overheads and Support Services**

The costs of overheads and support services are charged to directorates in the Comprehensive Income and Expenditure Statement in accordance with the Council's arrangements for accountability and financial performance.

**w) Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of good or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be reliably measured. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred. A general de-minimis limit of £10,000 is applied to non-current assets.

### Measurement

Assets are initially measured at cost, comprising purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). If an asset is acquired via an exchange the cost of the acquisition is the carrying amount of the asset exchanged by the Council.

Donated assets are initially measured at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donated asset has been made conditionally. Until all conditions are met the gain is held in the Donated Assets Account. Gains that are credited to the Comprehensive Income and Expenditure Statement are reversed out of the General Fund balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – historic cost;
- Dwellings – current value, determined using the basis of existing use value for social housing;
- Surplus assets – fair value, estimated at highest and best use from a market participant's perspective;

- All other assets – current value, determined as the amount that would be paid for the asset in its existing use.

Where there is no market based evidence of current value of an asset because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non property assets that have short useful lives or low values, or both, depreciated historical cost is used as a proxy for current value.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Valuations are undertaken by a professionally qualified valuer.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the value of the accumulated gains

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement

The Revaluation Reserve contains gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

**Impairment**

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. If there is an indication of impairment, and it is deemed material, the recoverable amount of the asset is estimated to determine the impairment loss.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance, up to the value of the accumulated gains

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement

Where an impairment loss is subsequently reversed, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

**Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception exists for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (assets under construction).

Depreciation is calculated on the following bases:

- Land: Not depreciated;
- Buildings: Straight-line allocation over the life of the property;
- Vehicles, plant and equipment: Straight line allocation over the life of the asset;
- Infrastructure: Straight-line allocation over life of asset;
- Council dwellings: Straight-line allocation over the life of the property;
- Community assets (subject to exceptions): Not depreciated.

Items of property, plant and equipment are not depreciated until they become available for use (i.e. when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management). Depreciation ceases at the earlier of the date that items of property, plant and equipment are classified as held for sale and the date they are derecognised.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable, based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Where an item of Property, Plant and Equipment has major components whose costs are significant in relation to the total cost of the item, the components are depreciated separately. The Council deems "significant" to be 25% or more of the total cost of the asset. The Council also applies the following de minimis levels with regard to component accounting.

Components are not separately identified where:

- The useful life of the asset is less than 10 years
- The depreciation charge based on the life of the component would differ from that for the total asset by less than £10,000.
- The component life must be materially different to the main asset to be treated as a component.

For grouped assets such as Council Dwellings a practical level of componentisation has been applied which links to the work programmes carried out within the capital programme. An appropriate component life has been assigned to each of these components.

**Disposals and Non-current Assets Held for Sale**

When it becomes probable that an asset is to be sold it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to the fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous recognised losses in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

To be classified as held for sale an asset must meet the following criteria:

- The asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets;
- The sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated;
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current value;

- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

If assets no longer meet the criteria to be classed as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as assets held for sale. They are adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale.

Assets that are abandoned or scrapped are not classified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset on the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement, as part of the gain or loss on the sale of assets. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for disposals, in excess of £10,000 are treated as capital receipts. A proportion of Housing receipts is payable to central government. The balance of receipts is credited to the Capital Receipts Reserve and can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund balance in the Movement in Reserves Statement.

The gain or loss on the sale of assets is not a charge against Council Tax. Amounts are appropriated to the Capital Adjustment Account in the Movement in Reserves Statement.

### x) Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate available at the balance sheet date, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated settlements are reviewed at the end of the financial year - where it becomes less than probable that a transfer of economic benefit will now be required (or lower settlement anticipated) the provision is reversed and credited back to the relevant service revenue account.

**y) Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred it is charged to the relevant service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation and retirement and employee benefits and do not represent usable resources for the Council.

**z) Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service line in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the Capital Adjustment Account then reverses out the amount charged so there is no impact on the level of Council Tax.

**aa) Value Added Tax (VAT)**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income. Where the Council is unable to recover VAT it is charged to the appropriate service.

**ab) Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**ac) Fair Value Measurement**

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or

- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date

- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

- Level 3 - unobservable inputs for the asset or liability.

**ad) Segmental Analysis**

The Council operates with two directorates. All services of the Council fall into one of these directorates. The main service areas within each directorate are as follows:

People - Chief Executive (50%); Partnership team; Legal; Governance and Elections and Scrutiny; Procurement; Finance; Revenues and Benefits; Audit (client); Streetscene; ICT (client); Customer Services; Improvement Team; Leisure; Human Resources; Health and Safety; Payroll.

Place - Chief Executive (50%); Economic Development; Housing Strategy; Planning; Environmental Health; Community Safety; Housing Revenue Account; Property and Estates; Emergency Planning.

**Bolsover District Council**

**Audit Committee**

**28th January 2020**

**Committee Work Programme 2019/20**

**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

5.1.1 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.

5.1.2 There are no financial implications arising from this report.

### 5.2 Legal Implications including Data Protection

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

### 5.3 Human Resources Implications

5.3.1 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?**<br>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:<br>*BDC: Revenue - £75,000* ☐<br>*Capital - £150,000* ☐<br>*NEDDC: Revenue - £100,000* ☐<br>*Capital - £250,000* ☐<br>☑ *Please indicate which threshold applies* | No |
| **Is the decision subject to Call-In?**<br>(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 |

**Appendix 1**

Audit Committee work programme 2019/20

| Meeting Date | Item |
| --- | --- |
| 29th July 2019 | • Strategic risk register and partnership arrangements<br>• Implementation of Internal Audit recommendations<br>• Internal Audit consortium 2018/19, Annual Report<br>• Report of Internal Audit – Summary of progress on the internal audit plan<br>• Report to those charged with Governance – Audit completion report<br>• BDC Statement of Accounts 2018/19<br>• Audit Committee proposed work programme 2019/20 |
| 26th November 2019 | • Strategic risk register and partnership arrangements<br>• Implementation of Internal Audit recommendations<br>• Report of Internal Audit – Summary of progress on the internal audit plan<br>• Audit Committee – Self assessment for effectiveness<br>• CIPFA’s statement on the role of the head of internal audit<br>• Report of External Auditor – Annual Audit letter 2018/19 |

| | |
|---|---|
| 28th January 2020 | • Strategic risk register and partnership arrangements<br>• Report of Internal Audit – Summary of progress on the internal audit plan<br>• Report of External Auditor – Audit Strategy Memorandum 2020/21<br>• Accounting Policies 2019/20<br>• Treasury Management Strategies<br>• Fighting Fraud and Corruption Locally<br>• Fraud tracker and summary of national fraud initiative<br>• Draft Action Plan |
| 28th April 2020 | • Strategic risk register and partnership arrangements<br>• Report of Internal Audit – Summary of progress on the internal audit plan<br>• Report of Internal Audit – Internal Audit Plan from 2020/21<br>• Report of External Auditor – Progress report and technical update<br>• Annual Governance Statement and Local Code of Corporate Governance<br>• Draft Annual Report on the work of the Audit Committee |
| 26th May 2020 | • Strategic risk register and partnership arrangements<br>• Implementation of Internal Audit recommendations<br>• Internal Audit Consortium 2019/20 – Annual Report |

**Bolsover District Council**

**Audit Committee**

**28th January 2020**

**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 arrangements and the Strategic Risk Register as at January 2020.

**1 Report Details**

**Background**

1.1. The Council's Strategic Risk Register has been developed with consideration to 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.

**The Strategic Risk Register**

1.2. The revised Strategic Risk Register as at January 2020 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.

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

1.4 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 has now taken place to ensure that the continued effective and systematic management of risk is achieved.

1.5 A ‘draft’ new ‘Risk Management Strategy’ – **Appendix 2 -** has been produced which includes 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)

1.6 Future reports to this committee 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.

2.2 A comprehensive review of the Council’s risk management framework has now been undertaken and a ‘draft’ Risk Management Strategy produced for consultation to ensure that the continued effective and systematic management of risk is achieved.

## 3 Consultation and Equality Impact

3.1. There are no consultation or equalities issues arising from this report which necessitate a formal consultation process. The new Strategy will however include consultation with SAMT; Audit Committee and Executive.

## 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 Audit Committee notes the report and Strategic Risk Register as at January 2020 as set out in **Appendix 1.**

6.2 That the Audit Committee recommends to Executive the adoption of the new 'Risk Management Strategy' and approach to risk management.

## 7 Decision Information

| | |
|---|---|
| **Is the decision a Key Decision?**<br>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:<br>*BDC: Revenue - £75,000* ☐<br>*Capital - £150,000* ☐<br>*NEDDC: Revenue - £100,000* ☐<br>*Capital - £250,000* ☐<br>☑ *Please indicate which threshold applies* | No |
| **Is the decision subject to Call-In?**<br>(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

<table>
<tr><th>Appendix No</th><th colspan="2">Title</th></tr>
<tr><td>1<br>2</td><td colspan="2">Strategic Risk Register as at January 2020<br>Proposed Risk Management Strategy 2020</td></tr>
<tr><td colspan="3">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)</td></tr>
<tr><td colspan="3">Service Plan Risk Registers</td></tr>
<tr><th colspan="2">Report Author</th><th>Contact Number</th></tr>
<tr><td colspan="2">Lee Hickin – Joint Strategic Director People</td><td>7218</td></tr>
</table>

Appendix 1

| | Risk | Consequences | Risk Score (Likelihood x Impact) | Risk Score (Likelihood x 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 creates significant uncertainties whilst there is a significant programme of legislative change | • Unable to deliver a package of services that both addresses changing national priorities whilst meeting changing local needs and aspirations.<br>• Increases costs or reduces resources available to the Council directly, or to its key partners.<br>• Reduced influence over delivery of local services.<br>• Unable to effectively support local communities.<br>• Increased demands on Council services at a time when Council resource base is reducing. | 4,4, **16** | 3,4 **12** | SAMT / Political Leadership |

| | | | | | |
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| | which impacts directly upon local government. | | | | |
| | Mitigation.<br>• 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.<br>• The Council has effective political and managerial arrangements in place to manage change.<br>• Appropriate levels of financial reserves / investment funding are maintained to fund strategic shifts in service delivery.<br>• 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. | • Impact upon ability to deliver current level of services.<br>• Unable to resource acceptable levels of service.<br>• Significant adverse reputational Impact. | 4,4 **16** | 3,4 **12** | SAMT / Chief Executive / Chief Financial Officer / Political Leadership |

| | | | | | |
|---|---|---|---|---|---|
| | <u>Mitigation</u><br>• The Council has effective financial management in place to ensure budget arrangements are robust.<br>• The Council has appropriate managerial arrangements and culture in place to manage any necessary change.<br>• 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 | 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. | • A significant service failure associated with a major impact on the local community.<br>• Deterioration in services to the public, potentially a major impact upon a local resident or a group of local residents.<br>• Significant staff and financial resources required to resolve position, impacting on other services.<br>• A major service has its operating capacity significantly impact and is required to introduce major reform in its approach to service delivery.<br>• Severe reputational damage | 3,5 **15** | 2,5 **10** | SAMT / Heads of Service |

| | | | | | |
|---|---|---|---|---|---|
| | <u>Mitigation</u><br>• The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed.<br>• 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. | Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by flu pandemic, natural disaster (flood), etc.<br>Cyber-crime with a loss of data / systems, results in the inability to provide core services and reputational damage. | • 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).<br>• Failure of IT infrastructure, leading to inability to effectively operate services and to safeguard income streams.<br>• Business Continuity Plans prove ineffective in practice. | 3,4 **12** | 2,4 **8** | SAMT / Chief Executive |
| | <u>Mitigation</u><br>• 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.<br>• 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.<br>• The Council works in partnership with a range of other agencies that should be able to provide support in the event of the Council’s own procedures failing to be effective.<br>• The Council has in place industry standard measures to minimise the risk of cyber-crime. | | | | |

| | | | | | |
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| 5 | 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. | • Deterioration in services to the public.<br>• Increasing inefficiencies in service provision.<br>• Weakening of Internal Control arrangements.<br>• Increased pressure on other members of staff. | 3,4 **12** | 2,4 **8** | SAMT / Head of Legal & Governance |
| | Mitigation<br>• The Council has effective communication and working with staff as validated by securing ‘silver’ accreditation at IIP.<br>• There is sufficient funding to bring in agency staff where required to maintain service performance.<br>• 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.<br>• Appropriate training budgets are in place to ensure that staff receive necessary training to maintain service quality / continuity.<br>• The Council is looking to introduce appropriate apprenticeship / training schemes in order to develop suitable staff. | | | | |

| | | | | | |
|---|---|---|---|---|---|
| 6 | 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. | • New initiatives are not delivered in a cost-effective manner.<br>• Failure to maintain / improve services in line with local aspirations.<br>• Failure to generate the savings required to balance the budget.<br>• Financial savings measures weaken Governance / Internal Control arrangements.<br>• Service deterioration / failure arising from capacity issues. | 3,4 **12** | 2,4 **8** | SAMT / Chief Executive |
| | <u>Mitigation</u><br>• The Council has effective prioritisation and project management arrangements in place to ensure resources are directed at key objectives.<br>• 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.<br>• The Council has a robust performance management framework that is intended to highlight emerging issues. | | | | |
| 7 | Need to effectively engage with local communities and a range of local partners (inc Shared / Joint services) to deliver cost effective joined up services. | • Failure to provide effective community leadership.<br>• Loss of trust in the Council<br>• Inability to deliver good quality cost effective services targeted at local needs.<br>• Poor outcomes for local residents, | 3,4 **12** | 2,4 **8** | Political Leadership Team / Chief Executive |

| | | | | | |
|---|---|---|---|---|---|
| | | due to failure to engage other agencies. | | | |
| | <u>Mitigation</u><br>• 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.<br>• The Council has an active Partnerships Team and senior Members / Officers actively engage with other organisations serving the area.<br>• 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. | • Adverse Impact upon Service Quality.<br>• Failure to deliver high quality services which address national and local priorities.<br>• Significant adverse reputational impact. | 3,4 **12** | 2,4 **8** | Chief Financial Officer / Monitoring Officer |

<table>
<tr><td></td><td colspan="5"><u>Mitigation</u><br>• The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed.<br>• The Council has active Standards and Audit Committees which provide independent review of the Governance arrangements in the Council.<br>• The Annual Governance Report sets out an evidence based structured assessment of the operation of the Council’s governance arrangements.</td></tr>
<tr><td>9</td><td>Staff morale / Sickness Levels adversely affected as a result of the pace of change, tightening financial circumstances or external circumstances.</td><td>• Deterioration in services to the public and loss of productivity.<br>• Loss of key staff / increased sickness levels.<br>• Increased pressure on other members of staff.<br>• Loss of ‘goodwill.’</td><td>3,4 12</td><td>3,3 9</td><td>SAMT / Head of Corporate Governance</td></tr>
<tr><td></td><td colspan="5">• The Council operates in line with the independent IIP standards and HR ‘good practice’ to help ensure current staff are well managed and motivated.<br>• The staff has a range of communication mechanisms in place to ensure staff engagement with the Council’s agenda.<br>• The Council has reduced its emphasis of securing savings through vacancy management and seeks to bring in ‘agency staff’ etc as required.<br>• While the Council cannot control external circumstances it has continued to work with staff to mitigate the impact of these on individual employees.</td></tr>
</table>

| | | | | | |
|---|---|---|---|---|---|
| 10 | Failure to have in place robust, comprehensive and up to date policies and procedures for safeguarding children and vulnerable adults. | • Profile of safeguarding is poor<br>• Staff and members do not know what safeguarding is and their role within it<br>• Staff and members do not know how to spot the signs<br>• Staff and members do not know how to report it and to who?<br>• Lack of public confidence in Council policies plans and staff<br>• Reputational damage<br>• Potential significant harm to individuals resulting from abuse and neglect of Children and/or Vulnerable Adults possibly leading to personal harm, injury and death | 4,4, **16** | 2,4, **8** | SAMT/Political Leadership |
| | • 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.<br>• 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.<br>• Staff recognised as appropriate to do, are DBS/CRB checked<br>• All staff receive mandatory safeguarding training<br>• 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<br>• The Council has an internal safeguarding group which meets quarterly which has representation from all service areas of the Council.<br>• The Council host and Chair the Countywide Derbyshire Safeguarding Leads Sub Group of the Derbyshire Safeguarding Children's Board and Derbyshire Safeguarding Adults Board<br>• 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 examination. | • Potential Government intervention<br>• Undermining the local plan<br>• Reputational damage<br>• Loss of control of planning and development | 4,4, **16** | 2,4, **8** | SAMT / Political Leadership |
| | • The Council has successfully avoided Government intervention in the plan-making process.<br><br>• 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.<br><br>• 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. | • 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 |
| | • CEX and senior management actively engaged with HS2 staff to discuss proactive business mitigation measures.<br>• Political leadership working with relevant community groups and agencies lobbying for enhanced mitigation measures.<br>• Contributing to the East Midlands HS2 growth strategy and also that we part of the mitigation study | | | | |

# RISK
## Management Strategy 2020

*Managing the threats, maximising the opportunities*

Bolsover District Council

# Contents


| | |
|---|---|
| Introduction | 3 |
| Scope and Objectives | 4 |
| Benefits of Risk Management | 5 |
| Risk Categorisation | 6 |
| Risk Management Process | 9 |
| Risk Appetite | 14 |
| Our Risk Management Arrangements | 16 |
| Risk Management Framework | 21 |
| Action Plan - Appendix 1 | 22 |
| Risk Register Template - Appendix 2 | 23 |

# Introduction

When we think of 'Risk' most of us are conditioned to think of this in a negative sense – the risk of a negative outcome. Increasingly however, there is a realisation that risk is a double sided concept, with both positive and negative outcomes. To manage risk effectively we need to perhaps think of risk as 'uncertainties that affect us' – not all of which are bad. In other words; an uncertainty that, if it occurs, will have a negative effect might be seen as a ***Threat***, whereas an uncertainty that, if it occurs, will have a positive effect might be known as an ***Opportunity***. Both of these are 'uncertainties that affect us'.

Risk is integral to everything we do, every action we take, every decision we make - part of our everyday. Whether we realise it or not we are managing risk constantly – it is our attempt to prevent something going wrong and causing us harm or helping something to go well and producing benefits. When driving we will wear a seatbelt, when it comes to our money we will keep it in a bank and when the clouds are grey we might choose to take an umbrella with us on our way to work… these are all risk management decisions and actions designed to either reduce the potential consequence or support the realisation of the benefits associated with our actions.

None of these 'risk management' decisions and actions however, will either remove the threat or guarantee the benefits completely… for example; wearing a seatbelt will not remove the risk of accident or injury, it may however allow us to manage the risk to a level that allows us to make the decision to drive a car. If our aim is to remove the threats associated with driving the car completely, then we simply don't drive the car – this would of course also result in the loss of the possible benefits resulting from driving the car. Taking risks therefore is an inevitable part of our daily lives – without risk taking we simply could not advance, progress and achieve.

Risks will however be interpreted differently by each individual because we all have a different perception of the threat or opportunity depending on our propensity to take risk or avoid it. Using the car as an example, wearing a seatbelt and driving at a certain speed will be enough for some of us to manage the threat presented whilst enjoying the benefits, for others they may choose to manage this threat further by avoiding a motorway or driving at busy times, this approach will of course impact upon the benefits or opportunities too. This is known as our ***Risk Appetite***, the level of risk that an individual is prepared to take in order to pursue their goals.

When considering the business of the Council, the same principles apply. Risk taking is something we simply can't avoid… therefore, the success and operability of our organisation depends on how well we manage our risks. We need to know what they are, understand them, identify ways to mitigate or exploit them and control them in line with our organisational risk appetite. Where risks are effectively managed, the chances of achieving our objectives will be optimised. Conversely, poor risk management will reduce the likelihood of success.

# Scope and Objectives

This Strategy sets out the mechanisms and processes for both the maintenance and development of Risk Management within the Council's operational framework. Whilst the main focus of the arrangements set out within this Strategy will be in respect of the Council's own activities, it also recognises that key elements of the Council's service delivery may well be delivered by way of Partnership working. Accordingly the Council's own risk management approach needs to ensure that the risks arising from partnering with others are appropriately addressed as part of this Strategy.

Our organisation needs to be risk aware rather than risk averse as the decision whether to accept risk should be taken in light of the potential benefits of a proposed course of action. The extent to which the Council is risk averse, will undoubtedly impact on its potential to progress available opportunities to secure benefits for local residents.

Risk management, both in the identification of risks and the action taken to address the risks, needs to be flexible and have the ability to respond to change. National policies, service delivery arrangements, national and local circumstances, together with Council priorities will change and evolve over time. Risk Management focus and arrangements need to adjust in order to ensure that current threats and opportunities are effectively addressed and not stifled by inappropriate risk management arrangements.

The Council is committed to maintaining, developing and actively monitoring the operation of a formal and systemic approach to Risk Management. The key objectives of this Strategy are as follows:

- To operate in line with best practice and update our approach to reflect evolving best practice
- To protect service delivery arrangements, the reputation and the financial position of the Council by managing risk effectively
- To maintain and strengthen robust managerial and governance arrangements within the Council
- To promote risk awareness, risk intelligence and risk management throughout the Council
- To ensure programme, project and partnership risk is effectively managed
- To ensure there are clear roles, responsibility and accountability for risk management within the Council
- To ensure the effective identification of risks relating to service delivery, a new project, new initiative, external origins or circumstance to ensure fully informed decisions are made and measures to mitigate or exploit are in place
- To ensure that the Council has a fully informed level of awareness of its overall risk exposure

# Benefits of Risk Management

The challenges faced by local government in recent years have been significant often resulting in a great deal of uncertainty – ‘uncertainty that affects us’ or in other words ‘risk’. Our ability to manage these risks or those ‘uncertainties that affect us’, both the threats and the opportunities, will have a direct bearing on the Council’s ability to succeed.

Risk management is a tool and should not be seen as something we ‘must do’ but rather something we ‘need to do’ to achieve the Council’s objectives. It is an essential tool in helping to bring a greater level of understanding of those risks; it enables the Council to be more prepared, more resilient to change, more able to minimise threats and more able to seize opportunities.

**Below are a number of widely accepted benefits resulting from the effective management of risk:**

- Improved efficiency of services
- Reduced likelihood of workplace accidents
- Protection of financial resources
- Maximised opportunities
- Better mitigation of risks
- Protection of Council assets
- Improved delivery of intended outcomes
- Demonstrable good governance
- Improved business and service planning
- Protected reputation of the Council
- Enhanced community support and trust
- Increased effectiveness of business transformation
- Greater achievement of Council objectives
- Greater level of insight
- Improved management information

# Risk Categorisation

**Financial**

*Legislation / regulation*

**National / regional trends**

*Major service failure*

**STAKEHOLDER FACTORS**

*National / regional project impact*

**Environmental**

Emergency planning and business continuity

Social factors

Major service failure

*REPUTATION*


Communication

Leadership and decision making

Service delivery

*Integrity*

Safeguarding

*Technology*

Council's Constitution

Financial

HUMAN RESOURCES

Contracts & agreements

Policy and strategy

Procurement

Assets

Health and safety

Data and information

Systems and procedures

*CYBER RELATED FACTORS*

Risk management is a complex subject due in part to the multi-dimensional nature of the risks that we face, the illustration overleaf highlights some of these along with a high level categorisation of risk types. Some risk areas will have varying risk types, for example; Financial risks may be identified within all broad risk type categories; Strategic - perhaps due to legislative change; Operational - service area budgets; and Governance - the way we deal with our Treasury Management for instance. The endless nature of risk management makes it impossible to list every single risk and future risk specifically within this document, the following areas do however provide an approach that will support the identification and appropriate management of risks in the context of our organisation.

## Strategic Risks

Strategic Risks are those which have the potential to have a significant impact upon the Council as a whole. Such risks might include; changes in government policy; legal and regulatory change; Brexit; environmental and social factors and high operational risk factors such as investment, safeguarding and emergency planning. Due to the nature and scale of the possible threat and potential opportunity arising from this level of risk, strategic risks should be owned by the Senior Management Team.

In order for the Council to have a clear overall position in relation to its strategic risks and to be able to track and review them regularly, strategic risks will be contained within the Councils ***Strategic Risk Register***. This register identifies the strategic risks facing the Council so that elected Members and senior management can make informed decisions and prioritise actions, with these high level risks in mind.

## Operational Risks

Operational Risks are those that relate to a given service area which have the potential to have a significant impact on the delivery of that service. These might include; human resources; health and safety; procurement; asset management and systems failure. These risks are more closely associated with the ‘day to day’ operation of the service areas within the Council, service based risks that may prevent individual service aims and objectives being met.

Risks within this category are identified, assessed and dealt with within the operational service area. These risks are contained within an ***Operational Risk Register*** that is unique to the given service area, although the process by which they are managed remains the same as those of a strategic nature.

## Governance Risks

Governance related risks are those that relate to ‘how we do things’ as an organisation, including; how we manage our risks. These might also include; the Council’s Constitution; data protection; policy and strategy; leadership and accountability; contracting arrangements and performance management. As with high level operational risks, governance related risks might also be managed as strategic risks, depending upon the nature and scale of the risk. Ordinarily however, these risks are associated with the broader organisational ‘day to day’ framework of running our organisation. Risks associated with the Council's governance will feature in both the Operational Risk Registers of those service areas who 'own' the governance related risk along with the Strategic Risk Register where appropriate.

## Project Risks

Project risks are those risks that are integral to or arise during the lifecycle of a project. These may relate to; roles and responsibilities; timescales; resources; objectives; communication and monitoring for example. These risks will usually start and end with the project and need to be treated separately to those linked with the everyday operation of the Council.

With projects, it is vitally important that risks are identified and assessed early in the planning process. When undertaking a project, the Council will create a ***Project Plan*** in order to effectively manage the project, the plan might include; scope management; planning and delivery; budget; monitoring and control; administration; communication and risk management.

The project related risks are managed through a ***Project Risk Register*** which is developed specifically for the project at hand and maintained throughout the life of that project.

## Partnership Risks

Reduced public service funding is leading to more services and community projects being delivered through different forms of partnership involving the public, private and third sector. Partnership working can take many forms including; integrated services; joint ventures; shared procurement; and co-ordination of activities. The use of risk management to mitigate threats whilst also exploring opportunities is key to ensuring that collaborative working arrangements contribute positively to service delivery. Partnership related risks might include; lack of relevant skill levels; differing legislative environments of the partners; differing governance arrangements and differing agendas.

Effective partnership working is not an easy process and often requires a significant investment of time and energy to build trust between the partners and to develop the working relationships required to ensure successful delivery of the project or service. Key considerations prior to entering into or reviewing a partnership need to include whether or not; the partnership helps secure the Council's objectives; it provides value for money; there are any alternatives; the governance arrangements are robust; and whether or not the Council have a legal duty to enter into the partnership at all.

The risks related to the partnership will be managed through a ***Partnership Risk Register*** which is developed specifically for the partnership at hand and maintained throughout the life of that partnership.

# Risk Management Process

To ensure risk management is effective it must be part of an overall framework and be supported by processes and procedures – a systemic and consistent approach. Whether the 'risk' poses a threat or an opportunity – the stages remain the same. A ***'Risk Assessment'*** template/form shall be used when carrying out the stages below – the findings of which will be included on the appropriate **'Risk Register'**.

## RISK IDENTIFICATION

**Threats or opportunities which might prevent or help achieve, delay or accelerate the objectives of the Council**

↓

## RISK ANALYSIS & ASSESSMENT

**Following identification of the threats/opportunities, the risks need to be assessed**

↓

## RISK CONTROL

**Taking risk appetite into account, the risks now need to be controlled**

↓

## RISK MONITORING

**Most risks will change over time, timely, regular and appropriate monitoring must take place**

## Risk Identification

The identification of risks will be the result of a variety of sources and endeavours including but not limited to; lessons learned and analysis of previous events; technical briefings; national reports; workshops; team meetings; networking; management experience; and through a 'staple' element of the ***Risk Management Group*** – something we will cover in later sections of this strategy. Another key source of risk identification will of course be the business/service planning process where SWOT (strengths, weaknesses, opportunities, threats) and PESTEL (political, economic, social, technological, environmental, legal) analysis takes place.

Traditionally this stage of the risk management process has focussed on the things that can go wrong or the threats, if the organisation wishes to improve outcomes however, then it must search for the 'upside risks' or opportunities to make things better and maximise any potential benefits that may also be available. If an opportunity risk is identified, decisions can be made to pursue and increase the likelihood/impact of the opportunity – i.e. it can be managed in the way a negative risk can, to make the most of the potential offered.

**N.B.** It is important to note here that when attempting to capture the opportunity risk description that we do not attempt to replace or duplicate the 'purpose' or 'rationale' for a given activity. Opportunity risk is <u>not</u> the argument or reason for doing something - it is the awareness and control of the 'uncertainties that matter' in relation to the 'upside' risks involved with the activity or issue at hand.

## Risk Analysis and Assessment

Once the risks have been identified and articulated they need to be assessed using the ***Risk Matrix*** in terms of the ***'Likelihood'*** of them occurring and the 'Impact' of them if they do. This will provide an indication of the ***'Inherent risk'*** – the level of risk prior to any action being taken.

Likelihood is scored based upon probability of the risk occurring and impact based on the consequences of the risk occurring. Taking each threat/ opportunity in turn the risk should be assessed using the impact/ likelihood tables. The ratings may well be mixed as one overarching risk could have a number of threats/opportunities associated with it, for example the consequence may carry a moderate threat financially but may have a significant impact upon reputation.

Once the consequence is understood for all of the threats/opportunities associated with the risk, a 'best fit' impact rating shall be determined and the ***'Inherent Risk Value'*** identified. For example; if the impact of all of the threats/opportunities associated with the risk are significant with only one moderate, then the overall impact would be significant. It is important to note that the tables and descriptions are not and can never be exhaustive, they are designed to give a common perspective but not to be prescriptive.

## Risk Matrix

| IMPACT | | | | | |
|---|---|---|---|---|---|
| 5 | 5 | 10 | 15 | 20 | 25 |
| 4 | 4 | 8 | 12 | 16 | 20 |
| 3 | 3 | 6 | 9 | 12 | 15 |
| 2 | 2 | 4 | 6 | 8 | 10 |
| 1 | 1 | 2 | 3 | 4 | 5 |
| | 1 | 2 | 3 | 4 | 5 |
| | LIKELIHOOD | | | | |

## Impact Table

| Score | Description | Examples/guidance |
|---|---|---|
| 5 | Catastrophic | Risks that can have a catastrophic impact on the operation of the Council or service, for example;<br>• Death<br>• Unable to function without Government or other agency intervention<br>• Inability to fulfil obligations<br>• Adverse national publicity – highly damaging, loss of public confidence |
| 4 | Severe | Risks which can have a severe impact on the operation of the Council or service, for example;<br>• Extensive injury, major permanent harm<br>• Significant impact on service objectives<br>• Short to medium term impairment to service capability<br>• Major adverse local publicity |
| 3 | Moderate | Risks which have a noticeable impact on the services provided. Will cause a degree of disruption to service provision / impinge on the budget, for example;<br>• Medical treatment required, semi-permanent harm up to 1 year<br>• Short term disruption to service capability<br>• Significant financial loss<br>• Some adverse publicity, needs careful public relations |
| 2 | Minor | Risks where the impact and any associated losses will be minor, for example;<br>• First Aid treatment, non-permanent harm up to 1 month<br>• Minor impact on service objectives<br>• Financial loss that can be accommodated at service level<br>• Some public embarrassment, no damage to reputation |
| 1 | Negligible | Risks where the impact and any associated losses will be small, for example;<br>• No obvious harm or injury<br>• Negligible impact on service capability<br>• Minimal financial loss<br>• Unlikely to cause any adverse publicity, internal only |

## Likelihood Table

| Score | Description | Examples/guidance |
|---|---|---|
| 5 | Common | •Is expected to occur in most circumstances<br>•Perhaps annually or more frequent |
| 4 | Likely | •Will probably occur in most circumstances<br>•Not persistent, perhaps once in 3 years |
| 3 | Foreseeqable | •Could occur in certain circumstances<br>•Perhaps once in 10 years |
| 2 | Occasional | •May occur in exceptional circumstances<br>•Not expected to happen, perhaps every 25 years |
| 1 | Freak event | •Is never likely to happen or no knowledge of this happening before<br>•Very unlikely, perhaps once in 50 years |

# Risk Control

When deciding how to control the 'downside' risks or threats there are four options available, sometimes more than one option may be chosen, the Council could transfer and treat for example;

| Negative Risk (threat) Control Measures | | | |
|---|---|---|---|
| **Transfer**<br>E.G. Insurance,<br>Outsource,<br>Partnerships | **Treat**<br>E.G. Mitigation,<br>Likelihood & Consequence | **Tolerate**<br>Understand and live<br>with the risk | **Terminate**<br>Avoid the risk,<br>Do not pursue |

**Transfer the Risk -** this might include transferring some of the consequence to an insurer e.g. legal liability, property, vehicles etc. Other examples might include services being delivered on the Councils behalf through outsourcing. When deciding to transfer, it must be acknowledged that this does not mean that the risk disappears, some risks may whilst others remain such as responsibility for the service being delivered and the reputational risk remaining with the Council for example.

**Treat the Risk -** the risk at this stage is unacceptable to the Council as it stands. Action needs to be taken and controls put in place to mitigate and reduce the risk to an acceptable level - the **'Residual risk'**. This might include putting procedures in place or modifying the activity to reduce the risk.

**Tolerate -** the Council intends to do nothing different to manage the risk identified aside from the usual management arrangements that are in place.

**Terminate -** the risk is so significant that even with control measures in place or modifications being made, the risk cannot be reduced to an acceptable level for the Council.

When attempting to control the 'upside' risks or opportunities, the four options above will be replaced by the three below;

| Positive Risk (opportunity) Control Measures | | |
|---|---|---|
| **Share**<br>E.G. Joint Venture,<br>Design and Build Contract | **Enhance**<br>E.G. Action,<br>Likelihood & Consequence | **Accept**<br>Understand and accept<br>the risk |

**Share -** the benefits of the opportunity risk might be shared, a project being completed early for instance which would save money overall.

**Enhance -** using the project example again, action might be taken to improve the likelihood and consequence of the project completing early.

**Accept -** as with tolerating a threat, the Council intends to do nothing different to manage the risk identified aside from the usual management arrangements that are in place.

By this stage, using the ***'Risk Assessment'*** template/forms, the risks have been identified and analysed taking into account any current controls in place, giving an ***'Inherent Risk Value'***, beyond this other control measures may have been put in place resulting in a 'Residual Risk Value'. The Council will now consider the residual risk and decide how this fits with the Councils ***'Risk Appetite'*** in terms of acceptability – this shall be detailed in a later section of the strategy.

## Risk Monitoring

Now that the risks have been identified, analysed, controlled and scored according to the risk matrix, the final stage of the effective risk management process begins – risk monitoring. It is critical that risk assessments and action plans relating to them are monitored and reported on regularly to ensure progress is being made in both the management of the threats, or the taking advantage of the opportunities.

Risk registers are an important tool within the risk monitoring stage as long as they are kept up to date and accurate. Previously identified risks will change over time; some may become less of an issue once planned activity has taken place, therefore reducing the likelihood of the risk occurring. Others may have an increased level of risk due to external changes or important milestones approaching. When things change, or at a given frequency, the reassessment of the risk is necessary.

When reviewing, the following should be considered;

- Is the risk still valid?
- Has any of the circumstances or the situation changed?
- Has any planned mitigation/treatment/enhancement or action now taken place which has affected the ***'Residual Risk Value'***?
- Has the planned mitigation/treatment/enhancement or action been deemed effective?
- Is there more that the Council should be doing?
- Has the threat/opportunity passed?

Along with those sources listed in the Risk Identification stage previously, the risk monitoring and review stage is also a good time to consider the following;

- Has anything new happened either externally or within the service, department, Council, project or partnership?
- As a result, are there any new threats or opportunities facing the service, department, Council, project or partnership?

Part of the monitoring process is of course ***'Risk Reporting'***. This is required to ensure that managers, senior officers and elected Members are fully aware of the risks when making decisions and taking any action. Effective risk reporting should provide management and elected Members with assurance that all risks have been identified, assessed, controlled and are being effectively monitored – this shall be detailed further in a later section of the strategy.

# Risk Appetite

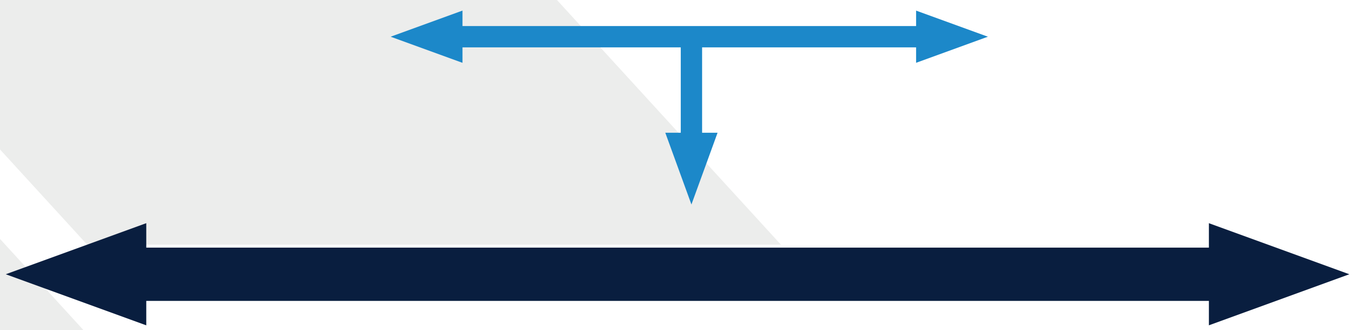
Risk appetite for local authorities on the whole will most likely be lower than that of many other organisations due in part to the regulatory nature of most of its services and because of its stewardship obligations for public resources. It is however, increasingly important for the Council to identify innovative solutions and new ways of working in the delivery of its services and operations.

New opportunities or changes to the way we do things will often bring new risks, both specific to the change at hand and to the Council as a whole. A key determinant in the risk management process is the Council's risk appetite and the scalability of this depending upon the individual circumstances.

The Council's risk appetite in relation to a given opportunity needs to be gauged individually to ensure that the tolerance level of the risks at hand are adjusted in accordance with the level or scale of the risk. A specific project may well have a different risk tolerance level to that of the wider operation of the Council or a health and safety matter for example. The Council should not be risk averse but risk aware and able to accept risk at a level that meets the Council's risk appetite.

## Risk aware

Sensible management of threats and opportunities



## Risk unaware

- Exposed to threats
- Too opportunity focussed

## Risk averse

- Excessive management of threats
- Do not maximise opportunities

As mentioned previously, effective risk management is about managing uncertainties that affect us, this includes both the negative uncertainties or threats and the positive uncertainties or opportunities. Effective risk management aims to minimise the likelihood and impact of the threats whilst maximising the likelihood and impact of the opportunities.

Acknowledgement and awareness of the two aspects of risk – the 'upside' and 'downside' increases the importance of an effective risk appetite framework which has the ability to be repositioned along the continuum above in line with the given subject matter at hand.

Generally speaking, the amount of risk that the Council are willing to take on, tolerate or be exposed to in the pursuit of its objectives can be illustrated below;

## Risk Matrix

| IMPACT | | | | | |
|---|---|---|---|---|---|
| 5 | 5 | 10 | 15 | 20 | 25 |
| 4 | 4 | 8 | 12 | 16 | 20 |
| 3 | 3 | 6 | 9 | 12 | 15 |
| 2 | 2 | 4 | 6 | 8 | 10 |
| 1 | 1 | 2 | 3 | 4 | 5 |
| | 1 | 2 | 3 | 4 | 5 |
| | LIKELIHOOD | | | | |

Green = Low Priority - no immediate action other than to set a review date to re-consider assessment.

Amber = Medium Priority - check current controls and consider if others are required.

Red = High Priority - must take action to mitigate or terminate if not possible to do so.

Any threats that are an unacceptable level to the Council have to be mitigated as far as possible. Where a proposed activity has a residual risk value that is considered unacceptable and there is no means of reducing this value, then the activity will be rejected. Therefore the Council's risk appetite threshold is 15 or above, in other words if the residual risk is 15 or above the Councils risk appetite has been exceeded and the activity will be terminated.

There may be however, occasions where there is a statutory obligation to undertake a given activity despite the risk exposure. There may also be occasions where, in entrepreneurial terms, it will be appropriate to take measured but increased levels of risk in furtherance of the Council's business objectives.

In determining the Council's risk appetite, elected Members and senior officers will consider many things including, but not limited to the following;

- Wider macro-economic factors including legislation
- The level of risk that can be justified
- The Council's capacity to bear the risk
- The Council's resource, expertise and skill-set for taking the risk
- The extent and prevalence of operational and commercial opportunities capable of being exploited by the Council

# Our Risk Management Arrangements

This strategy sets out to ensure that effective risk management is embedded throughout all levels of the Council. Whether it relates to 'day to day' service delivery or the decision making process of elected Members, the Council and its employees need to know what the risks are, understand them, identify ways to mitigate or exploit them and control them in line with the Council's risk management processes and appetite.

## Risk Management Roles and Responsibilities

### Elected Members

All elected Members are responsible for effective governance in the delivery of services to the local community and the achievement of the Council's objectives. Elected Members have a responsibility to understand the risks that the Council faces and will be made aware of how these risks are being managed through a variety of mechanisms including, but not limited to; the corporate, strategic and service planning and delivery process. It is the responsibility of all elected Members to support and promote an effective risk management culture and consider the risks associated with recommendations put forward in reports to the various committees at which decisions are made.

### Executive

Executive has a fundamental role to play in the management of risk. Its role is to set the risk appetite and influence the culture of risk management within the organisation. Executive will ensure that risks are fully considered as part of every decision it makes whilst ensuring effective procedures are in place to monitor the management of significant risks. Executive will establish Portfolio Holder representation on the Risk Management Group and regularly review the content of the strategic risk register. Executive will periodically review the Council's approach to risk management and approve changes or improvements to processes and procedures.

### Audit Committee

The Audit Committee has responsibility for overseeing all aspects of Risk Management, Governance and Internal Control. The Committee will provide guidance and oversight to the management of risk but also challenge the effectiveness of the risk management arrangements within the Council. The Committee will look to seek assurance for the Council that risk management is being effectively undertaken and that all risk related processes and procedures are being implemented. To this end, the Committee will receive reports on behalf of the Council including but not limited to;

Quarterly Risk Management Group reports, Internal Audit reports, External Audit reports and the Annual Governance Statement.

## Scrutiny

In their role of scrutinising decisions taken by the Executive, Scrutiny Members should ensure that associated risks have been taken into account. Scrutiny Committees also have a role in bringing potential risks that have not previously been identified to the attention of the organisation.

## Chief Executive

The Chief Executive leads on the wider Corporate Governance arrangements of the Council of which Risk Management is a part. The Chief Executive has ultimate responsibility for risk management within the paid service and will support the Senior Risk Officer (SRO) and Senior Information Risk Officer (SIRO) in carrying out their roles and responsibilities.

## Senior Risk Officer (SRO)

The SRO plays an important role in raising the profile and promoting the benefits of risk management to elected Members and officers. The SRO also ensures that the accountability and responsibility of elected Members, officers and staff is understood by embedding risk management throughout every level of the Council and by overseeing the implementation of the Risk Management Strategy and Action Plan.

## Senior Information Risk Owner (SIRO)

Information has never been more important to the essential working of the Council. As the quantity, diversity and nature of Council information changes, so will the risks. The role of the SIRO is to ensure that 'information' related risks are identified and addressed. The SIRO will establish an Information Risk Management Framework which allows information based threats and opportunities to be managed effectively.

## Section 151 Officer

Section 151 of the Local Government Act 1972 requires all Councils to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. For this Council this statutory role is carried out by the Head of Finance and Resources. The Section 151 Officer is a key member of the Senior Management Team who helps to develop and implement the strategy and appropriate resourcing to deliver the Councils objectives sustainably and in the public interest. The role brings influence and bearing on all material business decisions to ensure opportunities and threats are fully considered and aligned to the Council's financial strategy. The Section 151 Officer leads on the promotion of good financial management by the whole organisation so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

## Risk Management Group

The Risk Management Group shall be elected Member led and will include the Councils SRO, SIRO, S151 Officer, representation from senior management, Internal Audit and Health and Safety. The group will provide a comprehensive oversight of risk throughout the organisation and be the conduit to and from the whole organisation in terms of risk management. The group will 'regularly' and 'consistently' oversee, at least quarterly, all of the risk registers ensuring they are up to date and accurate whilst offering challenge to the assessment process itself. It will be responsible for risk management reporting to stakeholder groups across the Council and support the production of the Annual Governance Statement. The group will lead on the development and review of all risk related policies, plans and strategies across the Council and will oversee and champion the implementation of the Risk Management Strategy and associated action plan including training 'relating to' and the 'embedding of' an effective risk management culture.

## Directors and Heads of Service

Directors and Heads of Service are responsible for creating an environment and culture within their Directorate and portfolio of Services where risk management is promoted, facilitated and effectively undertaken. They will drive forward risk management to raise its profile and ensure that Service Managers and their teams understand the importance and benefits of effective risk management, embedding the Risk Management Strategy and arrangements throughout their span of control. They will include risk management as a standing item on all Directorate, Service and team meeting agendas to keep risk management 'ever present' and ensuring effective, regular and consistent 'check and challenge' is in place throughout the Directorate. Directors and Heads of Service will review the content of the strategic risk register and their Directorate operational risk registers at least quarterly and represent their Directorate and portfolio of services at the Risk Management Group. They will identify existing and emerging risks, address them in line with the risk management arrangements and ensure sufficient resource is allocated to for this purpose within their span of control including identifying and meeting any risk management training needs within the Directorate.

## Service Managers

As with the Directors and Heads of Service, Service Managers will support the creation of an environment where risk management is promoted, facilitated and effectively undertaken within their service area. Service Managers will also form part of the quarterly review process of their service related operational and when necessary, strategic risks. They will work with the Directors and Heads of Service to identify and address existing and emerging risks within their service area and ensure that training needs are identified and addressed in relation to risk management within their service area. Service Managers will be the consistent 'day to day' champions of an effective risk management culture throughout their service area and will ensure that the risk management strategy and arrangements are understood, embedded and implemented by their team.

## Project and Partnership Leads

Project and Partnership Leads are responsible for ensuring that the project or partnership is being effectively managed in terms of risk and that the Risk Management Strategy and arrangements are implemented fully throughout the lifecycle of the project or partnership. As mentioned in previous sections of the document however, project risks and partnership risks do need to be treated slightly differently to the Councils other risks.

***The Project Lead will;***

Ensure that there is senior management team commitment to and involvement in the project/programme delivery. They will set out clearly defined roles and responsibilities at all levels within the project/programme with responsibility for risk identified and agreed. The Project Lead will ensure stakeholder engagement in the early identification of the risks which will inform the project/programme scope, objectives and outcomes. They will embed the active management of risk throughout the lifecycle of the project/programme through the development of a Project Plan.

***The Partnership Lead will;***

Ensure that the partnership has a senior management team made up of members from all organisations involved who will support, own and lead on risk management. The Partnership Lead will ensure that an agreed risk management framework is in place and managed on an ongoing basis. They will promote a partnership culture which supports an effective and appropriate approach to managing risks by reducing the threats and maximising the opportunities that the partnership will bring.

Both Leads will approach the project/programme/partnership in line with the Risk Management Strategy and arrangements set out within. They will ensure that the risk management process is followed, risk assessments completed, control measures are in place and risk registers are maintained throughout. The Leads will report to the Risk Management Group quarterly and assist in the production of the Risk Management Group reporting process.

## Internal Audit

Internal Audit's role is to maintain independence and objectivity, they are not responsible for risk management or for managing risks on behalf of others. Internal Audit will check, challenge and test the risk management process and arrangements for adequacy in order to provide assurance to the Council that risk is being effectively managed.

## All Staff

All staff have a responsibility for identifying threats and opportunities in performing their day to day duties. They also have a responsibility to participate in training, supporting the risk assessment process and action planning where appropriate.

## Roles and responsibilities summary table:

| Group or individual | Roles & Responsibilities |
|---|---|
| Elected Members | • Support and promote an effective risk management culture<br>• Understand the strategic risks that the Council faces hand how these risks are being managed<br>• Consider the risks associated with recommendations put forward in reports |
| Executive | • Provide leadership on risk management within the Council<br>• Monitor the Council's risk management arrangements<br>• Assess the risks in Cabinet reports and provide challenge where necessary particularly in relation to key decisions |
| Audit Committee | • Overseeing all aspects of risk management, governance and internal control<br>• Provide guidance and oversight to the management of risk and challenge the effectiveness of arrangements<br>• To seek assurance for the Council that risk management is being properly undertaken |
| Scrutiny | • In their role of scrutinising decisions taken by Executive, Scrutiny Members will ensure that associated risks have been taken into account<br>• Identifying potential risks that may not have been previously identified |
| Chief Executive | • Leads on the wider Corporate Governance arrangements of which Risk Management is a part<br>• Overall responsibility for ensuring that strategic risks are effectively managed within the Council |
| Senior Risk Officer (SRO) | • Raising the profile of risk management<br>• Promoting the benefits of risk management<br>• Promoting the accountability and responsibility of all staff<br>• Embedding risk management throughout all levels of the Council |
| Senior Information Risk Owner (SIRO) | • Manage information risk from a business perspective<br>• Establish an effective information governance framework<br>• Ensure compliance with regulatory, statutory and organisational information security policies and standards |
| Section 151 Officer | • To assist with the development and implementation of the strategy and resourcing required to deliver the Councils objectives sustainably and in the public interest<br>• To ensure opportunities and risks are fully considered and aligned to the Council's financial strategy<br>• Leads on the promotion of good financial management by the whole organisation |
| Risk Management Group | • To provide a comprehensive oversight of risk throughout the organisation and become an effective conduit to and from the whole organisation in terms of risk management<br>• To 'regularly' and 'consistently' oversee, at least quarterly, all of the risk registers ensuring they are up to date and accurate whilst offering challenge to the assessment process itself<br>• To be responsible for risk management reporting to stakeholder groups<br>• To review and support the development all risk related policies, plans and strategies<br>• To oversee the implementation of the Risk Management Strategy |
| Directors and Heads of Service | • To review the content of the strategic risk register at least quarterly<br>• To allocate sufficient resources to address strategic and operational risks<br>• To identify emerging risks and address them through the risk management arrangements<br>• To ensure that operational risks are being managed in line with the risk management arrangements and that the service area operational risk registers are up to date<br>• Escalate when necessary |
| Service Managers | • To implement the risk management strategy and arrangements within their service area<br>• To review the content of their operational risk register at least quarterly and provide assurance to stakeholders that risks are being effectively managed<br>• To identify emerging operational risks and address them through the risk management arrangements<br>• Escalate when necessary |
| Project / Partnership Leads | • To ensure that the risks associated with the project / partnership are identified and managed in line with the risk management arrangements<br>• To review the content of their project/partnership risk register regularly depending upon the project/ partnership this could be weekly<br>• To identify emerging project/partnership risks and address them through the risk management arrangements<br>• Escalate when necessary |
| Internal Audit | • Audit the risk management process<br>• Assess the adequacy of the arrangements<br>• Provide assurance to officers and elected Members on the effectiveness of the processes and arrangements<br>• Be guided by the risk registers in terms of the annual audit plan - areas of greatest risk = greatest need for assurance |
| All Staff | • To adhere to the risk management strategy and arrangements<br>• Report emerging or new threats and opportunities to their manager<br>• Participate in training, risk assessments and action planning where appropriate |

# Risk Management Framework

## Risk aware

Sensible management of threats and opportunities

**Risk unaware** — **Risk averse**

## Risk Categorisation


## Risk Management Process

RISK IDENTIFICATION
↓
RISK ANALYSIS & ASSESSMENT
↓
RISK CONTROL
↓
RISK MONITORING

## Training & Development Roles & Responsibilities

Staff and elected Members
↕
Risk Management Group - Strategy Implementation
↕
Executive / QPR / Audit Committee / Council

# Action Plan

## Appendix 1

| Ref: | Action | Responsibility | Target Date |
|---|---|---|---|
| RMS1 | Establish Risk Management Group; representation; draft Terms of Reference; schedule of meetings | JSD - People | Feb 2020 |
| RMS2 | Create Risk Management Strategy performance management and administrative framework including new risk registers (operational, strategic, governance, partnerships and projects) | JSD – People and Risk Management Group | Mar 2020 |
| RMS3 | Create a Risk Management report template which is designed to capture the work of the Risk Management Group and current identified risks and control measures | JSD - People | Mar 2020 |
| RMS4 | Establish a roll-out, promotion and communication programme for the new Risk Management Strategy | JSD – People and Risk Management Group | Apr 2020 |
| RMS5 | Create a Risk Management Strategy organisational training package/ mechanism for elected Members and staff including roles and responsibilities | JSD – People and Risk Management Group | Apr 2020 |
| RMS6 | Schedule a comprehensive and fundamental review of all risk related policies, plans and strategies | JSD – People and Risk Management Group | Jun 2020 |
| RMS7 | Establish an Information Risk Management Framework | SIRO | Sept 2020 |
| RMS8 | Initiate an annual Risk Management Audit | Internal Audit Consortium Manager | Jun 2020 |

# Risk Register Template

## Appendix 2 - (strategic example)

| Area of Risk | Inherent Risk Value (Low / Medium / High) | Threats / Opportunities | Mitigation / Controls in place / Action undertaken | Residual Risk Value (Low / Medium / High) | Potential Further Action / Action Planned | Risk Owner |
|---|---|---|---|---|---|---|
| **1.0 Insufficient Safeguarding Arrangements** | 20 High | • Profile of safeguarding is poor<br>• Staff and members do not know what safeguarding is and their role within it<br>• Staff and members do not know how to spot the signs<br>• Staff and members do not know how to report it and to who?<br>• Lack of public confidence in Council policies plans and staff<br>• Reputational damage<br>• Potential significant harm to individuals resulting from abuse and neglect of Children and/or Adults at Risk possibly leading to personal harm, injury and death | • The Council has in place up to date policies for safeguarding both Children and Adults at Risk. These policies are aligned to DCC policies which in turn are in line with legislation, regulation and statutory duties placed on Local Authorities<br>• The Council has in place and maintains systems of working practice to safeguard children and vulnerable adults at Council activities and those who receive Council services<br>• Staff recognised as appropriate to do, are DBS checked<br>• All staff receive mandatory safeguarding training<br>• 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<br>• The Council has an internal safeguarding group which meets quarterly which has representation from all service areas of the Council<br>• The Council host and Chair the Countywide Derbyshire Districts Safeguarding Leads Sub Group (DDSLSG) of the Derby and Derbyshire Safeguarding Childrens Partnership (DDSCP) and Derbyshire Safeguarding Adults Board (DSAB) | 10 Medium | • Establishing a meeting schedule between Councils Safeguarding Lead and DCC Senior Social Care Officers with a view to local collaboration in Bolsover and North East Derbyshire Districts Locality areas<br>• DDSLSG collaborating with ‘Homelessness Forum’ to undertake case reviews following homeless adult deaths with a view to learn from the event and help prevent reoccurrence | JSD - People |

Bolsover District Council

**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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