



To: Chair & Members of the Audit Committee

The Arc
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Friday 15th January 2021

Dear Councillor

AUDIT COMMITTEE

You are hereby summoned to attend a meeting of the Audit Committee of the Bolsover District Council to be held as a Virtual Meeting on Tuesday, 26th January, 2021 at 14:00 hours.

Members will be sent the details on how to access the Virtual Meeting by email.

Virtual Attendance

I have provided **all Members** with advice that all meetings **must** be held virtually during the National Lockdown. The Council Chamber will not be available for Members to attend the meeting physically during this time. **Should you decide to disregard this advice and potentially be in breach of the law, you will be deemed to have accepted the risk assessments listed for the Arc.**

The Governance and ICT teams supporting the meeting will be working remotely, and can provide assistance to you for joining virtually.



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

**If you require this agenda in large print
or another format please call us on 01246 217753**

If you require an adjustment to enable you to participate in or access the meeting please contact the Governance Team at least 72 hours before the meeting starts.

Risk Assessment Disclaimer

The following risk assessments are available on the Modern.Gov App library:

- Covid-19 ARC RTW RA001
- Working in Offices At The Arc During Covid-19 Pandemic Guidance – ARC – SSW001
- Meetings – EM001 - Committee and Council Meetings during the Covid-19 pandemic

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 3 onwards.

Yours faithfully

A handwritten signature in black ink, reading "Sarah Steenberg". The signature is written in a cursive, flowing style with a large initial 'S'.

Solicitor to the Council & Monitoring Officer

AUDIT COMMITTEE AGENDA

Tuesday, 26th January, 2021 at 14:00 hours taking place as a Virtual Meeting

| Item No. | PART 1 – OPEN ITEMS | Page No.(s) |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| 1. | Apologies For Absence | |
| 2. | Urgent Items of Business To note any urgent items of business which the Chairman has consented to being considered under the provisions of Section 100(B) 4(b) of the Local Government Act 1972. | |
| 3. | Declarations of Interest Members should declare the existence and nature of any Disclosable Pecuniary Interest and Non Statutory Interest as defined by the Members' Code of Conduct in respect of: a) any business on the agenda b) any urgent additional items to be considered c) any matters arising out of those items and if appropriate, withdraw from the meeting at the relevant time. | |
| 4. | Minutes To consider the minutes of the last meeting held on 15 th September 2020. | 4 - 10 |
| 5. | Report of External Auditor - Annual Audit Letter 2019/20 | 11 - 25 |
| 6. | Report of External Auditor - Audit Progress Report (January 2021) | 26 - 39 |
| 7. | Report of Internal Audit - Summary of Progress on the 2020/21 Internal Audit Plan | 40 - 57 |
| 8. | Report of Internal Audit - Implementation of Internal Audit Recommendations | 58 - 75 |
| 9. | Risk Management (November 2020) | 76 - 116 |
| 10. | Accounting Policies 2020/21 | 117 - 144 |
| 11. | Audit Committee Work Programme 2020/21 | 145 - 149 |

AUDIT COMMITTEE

Minutes of a meeting of the Audit Committee of Bolsover District Council held as a virtual meeting on Tuesday, 15th September 2020 at 14:00 hours.

PRESENT:-

Members:-

Councillor Tom Munro in the Chair

Councillors Jim Clifton, David Dixon, Tom Kirkham, Ruth Jaffray (Co-opted Member) and Dan Salt.

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

Also in attendance at the meeting was Councillor Clive Moesby (Portfolio Holder for Finance and Resources), Mike Norman (Mazars) and Mark Surridge (Mazars).

Councillor Dan Salt left the meeting during Minute No. AUD11-20/21.

AUD2-20/21 AGENDA ORDER

The Chair changed the order of the agenda items to the order displayed in these Minutes with the consent of Members.

AUD3-20/21 APOLOGIES FOR ABSENCE

There were no apologies submitted.

AUD4-20/21 URGENT ITEMS OF BUSINESS

There were no urgent items of business to consider.

AUD5-20/21 DECLARATIONS OF INTEREST

Members were requested to declare the existence and nature of any disclosable pecuniary interests and/or other interests not already on their register of interests.

There were no declarations made at the meeting.

AUD6-20/21 MINUTES

Moved by Councillor Tom Munro and seconded by Councillor David Dixon.

RESOLVED that the Minutes of an Audit Committee held on 28th January 2020 be approved as a true and correct record.

AUDIT COMMITTEE

AUD7-20/21 NOTES

The Chair explained that these were notes from the 25th February 2020 informal Extraordinary Audit Committee, and they were notes rather than Minutes because the meeting was not quorate.

The Chair stated he would accept and note the notes unless Members had any objections to their content. Members raised no objections.

RESOLVED that the notes of an informal Extraordinary Audit Committee held on 25th February 2020 be noted.

AUD8-20/21 INTERNAL AUDIT CONSORTIUM 2019/20 ANNUAL REPORT

The Internal Audit Consortium Manager presented the Internal Audit Consortium 2019/20 Annual Report to Members and explained that the purpose of each section of the report was to:

- 1) Present a summary of the internal audit work undertaken during 2019/20 from which the opinion on the internal control environment was derived.
- 2) Provide an opinion on the overall adequacy and effectiveness of the Council's control environment including any qualifications to that opinion.
- 3) Draw attention to any issues that need to be considered for inclusion in the Annual Governance Statement.
- 4) Compare work actually undertaken with that which was planned and summarise performance.
- 5) Comment on compliance with the Public Sector Internal Audit Standards.
- 6) Comment on the results of the internal quality assurance programme.
- 7) Confirm the organisational independence of internal audit.
- 8) Review the performance of the Internal Audit Consortium against the current Internal Audit Charter.

The Internal Audit Consortium Manager informed Members that Appendix 1 to the report detailed the Internal Audit Reports issued in 2019/20. She added that the COVID-19 pandemic had impacted the Plan because of:

- 1) Internal Audit staff working from home and getting used to a new way of working.
- 2) Difficulties in obtaining information from staff that have been redeployed or are working from home. Still some paper records that require review.
- 3) Other council staff concentrating their efforts on keeping essential services running, issuing grants to businesses etc. and so not being able to accommodate an audit or provide the information in a timely fashion.

AUDIT COMMITTEE

The Portfolio Holder for Finance and Resources wished to place on record his thanks to the Internal Audit team for their hard work in the midst of the COVID-19 pandemic.

Members had no questions on the content of the report.

It was moved by Councillor Tom Munro and seconded by Councillor David Dixon to note the Internal Audit Consortium 2019/20 Annual Report.

RESOLVED that the Internal Audit Consortium 2019/20 Annual Report be noted.

(Internal Audit Consortium Manager)

AUD9-20/21 EXTERNAL REVIEW OF INTERNAL AUDIT

The Internal Audit Consortium Manager presented the External Review of Internal Audit report to Members, with the purpose of consulting Members on the format of the external review of internal audit required by the Public Sector Internal Audit Standards.

The report proposed that Members (i) authorise proceeding with the procurement of an external provider to undertake an external assessment of the Internal Audit Consortium and Derbyshire Dales District Council, and (ii) delegate authority to the Internal Audit Consortium Manager and the Section 151 Officers to agree the specification of the assessment, to assess quotations received based on cost and quality and to appoint an external provider to undertake the assessment.

Members had no questions on the content of the report.

The two recommendations in the report were moved by Councillor Tom Munro and seconded by Councillor David Dixon.

RESOLVED that Audit Committee:

(i) Authorises proceeding with the procurement of an external provider to undertake an external assessment of the Internal Audit Consortium and Derbyshire Dales District Council.

(ii) Delegates authority to the Internal Audit Consortium Manager and the Section 151 Officers to agree the specification of the assessment, to assess quotations received based on cost and quality and to appoint an external provider to undertake the assessment.

(Section 151 Officer/Internal Audit Consortium Manager)

AUD10-20/21 REVIEW OF THE INTERNAL AUDIT CHARTER

The Internal Audit Consortium Manager presented the Internal Audit Charter Review report to Members, with the purpose of informing them of the results of a review of the Internal Audit Charter. The Public Sector Internal Audit Standards (PSIAS) state that the Head of Internal Audit must periodically review the Internal Audit Charter and present it to

AUDIT COMMITTEE

the relevant Committee for approval.

The report proposed that Members (i) note the outcome of the review of the Internal Audit Charter, (ii) agree the Internal Audit Charter subject to any comments and (iii) review the agreed Charter in a years' time or sooner in the event of any significant changes being made to the Public Sector Internal Audit Standards.

Members had no questions on the content of the report.

The three recommendations in the report were moved by Councillor Tom Munro and seconded by Councillor Jim Clifton.

RESOLVED that Audit Committee:

(i) Notes the outcome of the review of the Internal Audit Charter.

(ii) Approves the Internal Audit Charter.

(iii) Approves that the agreed Internal Audit Charter be reviewed in a years' time or sooner in the event of any significant changes being made to the Public Sector Internal Audit Standards.

(Internal Audit Consortium Manager)

AUD11-20/21 REPORT TO THOSE CHARGED WITH GOVERNANCE - AUDIT COMPLETION REPORT

The Chair noted that the report for this item was circulated as part of a supplementary agenda.

Mike Norman and Mark Surridge from the Council's External Auditors Mazars presented the Audit Completion Report for the year ending 31 March 2020. The purpose of the report was to summarise the audit conclusions from Mazars, which included identification of significant audit risks and other areas of management judgement.

Mark Surridge thanked Finance officers for their support during the COVID-19 pandemic.

Councillor Tom Kirkham referred to the section titled 'Pensions' in the summary of audit work in the report, and asked if pensions would be impacted by COVID-19. Mark Surridge informed Members that it would have an impact on pension fund assets in the short-term because the market value of the assets in the middle of the pandemic was sometimes unknown. He added that the long-term impact would not be fully understood until the Mazars tri-annual review in three years.

N.B. Councillor Dan Salt left the meeting at this point.

It was moved by Councillor David Dixon and seconded by Councillor Jim Clifton to note the report and letter of representation.

RESOLVED that the Audit Completion Report and Letter of Representation be noted.

AUDIT COMMITTEE

(Section 151 Officer)

AUD12-20/21 ASSESSMENT OF GOING CONCERN

The Section 151 Officer presented the Assessment of Going Concern report, which informed Members of an assessment of the Council as a 'going concern' for the purposes of producing the Statement of Accounts for 2019/20. The main factors which underpinned this assessment were:

- 1) The Council's current financial position.
- 2) The Council's projected financial position.
- 3) The Council's balance sheet.
- 4) The Council's cash flow.
- 5) The Council's governance arrangements.
- 6) The regulatory and control environment applicable to the Council as a local authority.

The report recommended that based on the assessment, the Council remains a 'going concern' and the Council's accounts for 2019/20 had appropriately been prepared on this basis.

Members had no questions on the content of the report.

The recommendation in the report to accept the assessment of the Council as a Going Concern was moved by Councillor Jim Clifton and seconded by Councillor David Dixon.

RESOLVED that the Audit Committee accepts the outcome of the assessment of the Council's 'going concern' status for the purpose of preparing the Statement of Accounts for 2019/20.

(Section 151 Officer)

AUD13-20/21 BDC STATEMENT OF ACCOUNTS 2019/20

The Section 151 Officer presented a report to Members including (at Appendix 1) the Council's Audited Statement of Accounts for 2019/20.

Members had no questions on the content of the report.

The recommendations in the report were to approve the Statement of Accounts and delegate permission to the Section 151 Officer to agree any changes with External Auditors Mazars.

The Section 151 Officer explained that some sections of the accounts had been amended since circulation but this would not change the recommendations or approval of them. The Chair requested that the Section 151 Officer circulate the updated version to

AUDIT COMMITTEE

Members via e-mail.

The two recommendations were moved by Councillor Jim Clifton and seconded by Councillor Tom Kirkham.

RESOLVED that Audit Committee:

(i) Approves the audited Statement of Accounts in respect of 2019/20.

(ii) Grants delegated powers to the Chief Financial Officer in consultation with the Chair or Deputy Chair of the Audit Committee to agree any changes agreed with the Council's external auditors Mazars, which may be necessary to ensure the completion of the Statement of Accounts by 30 November 2020.

(Section 151 Officer)

AUD14-20/21 REPORT OF INTERNAL AUDIT - SUMMARY OF PROGRESS ON THE INTERNAL AUDIT PLAN

The Internal Audit Consortium Manager presented a Summary of Progress on the Internal Audit Plan report to Members. The purpose of the report was to explain progress made by the Internal Audit Consortium in respect of the 2019/20 and 2020/21 Internal Audit Plans. The report also included a summary of internal audit reports issued since the last meeting of the committee and an appendix detailing the 2020/21 internal audit plan and progress to date.

The report's recommendations were to note the report and note/approve the impact COVID-19 had on completion of the current audit plan and would continue to in future.

Members had no questions on the content of the report.

The recommendations were moved by Councillor Tom Munro and seconded by Councillor David Dixon.

RESOLVED that Audit Committee:

(i) Notes the Summary of Progress on the Internal Audit Plan report.

(ii) Notes and approves the impact of the coronavirus on the ability to complete the current audit plan and the potential for future changes to the plan.

(Internal Audit Consortium Manager)

AUD15-20/21 AUDIT COMMITTEE PROPOSED WORK PROGRAMME 2020/21

The Section 151 Officer presented a report on the Audit Committee Work Programme for the municipal year 2020/21.

Members had no questions on the content of the report.

AUDIT COMMITTEE

It was moved by Councillor Jim Clifton and seconded by Councillor David Dixon that the Work Programme 2020/21 be noted and endorsed.

RESOLVED that Audit Committee notes and endorses the Audit Committee work programme for 2020/21 as set out in Appendix 1.

(Section 151 Officer)

The meeting concluded at 15:00 hours.

Bolsover District Council

Audit Committee

26th January 2021

| |
|---------------------------------------------|
| <u>Annual Audit Letter – 2019/20</u> |
|---------------------------------------------|

Report of the Council's External Auditor Mazars

This report is public

Purpose of the Report

- For Audit Committee to consider the Annual Audit Letter in respect of 2019/20 (**Appendix 1**) which has been prepared by Mazars for consideration by elected Members of the Council and other stakeholders.

1 Report Details

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

2 Conclusions and Reasons for Recommendation

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

3 Consultation and Equality Impact

- 3.1 None arising directly from this report.

4 Alternative Options and Reasons for Rejection

- 4.1 A copy of the Annual Audit Letter is available on the Council's website and will be included on the Council agenda for 3rd February 2021. Together with inclusion on this Audit Committee Agenda these measures should help ensure an appropriate level of consideration by Elected Members and other stakeholders.

5 Implications

5.1 Finance and Risk Implications

There are no additional financial implications arising from this report.

5.2 Legal Implications including Data Protection

None arising directly from this report.

5.3 Human Resources Implications

None arising directly from this report.

6 Recommendations

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

7 Decision Information

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC: Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i> | No |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | No |
| Has relevant Portfolio Member been informed? | Yes |
| District Wards Affected | None directly |
| Links to Corporate Plan priorities or Policy Framework | All |

8 Document Information

| Appendix No | Title |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| 1 | Annual Audit Letter 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 |
| Head of Finance and Resources | 01246 242458 |

Annual Audit Letter

Bolsover District Council

Year ending 31 March 2020





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- 01** Executive summary
- 02** Audit of the financial statements
- 03** Value for money conclusion
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- 05** Our fees
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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

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

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Bolsover District Council (the Council) for the year ended 31 March 2020. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

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

| Area of responsibility | Assessment | Summary |
|------------------------------------------------------------------------|------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit of the financial statements | ● | <p>Our auditor's report issued on 30 November 2020 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Council's financial position as at 31 March 2020 and of its expenditure and income for the year then ended; and• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 |
| Other information published alongside the audited financial statements | ● | <p>Our auditor's report included our opinion that:</p> <ul style="list-style-type: none">• the other information in the Statement of Accounts is consistent with the audited financial statements. |
| Value for money conclusion | ● | <p>Our auditor's report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020</p> |
| Reporting to the group auditor | ● | <p>In line with group audit instructions, issued by the NAO on 4th November, we reported to the group auditor in line with the requirements applicable to the Council's Whole of Government Accounts return.</p> |
| Statutory reporting | ● | <p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p> |



2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2020 and of its financial performance for the year then ended.

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

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

Our auditor's report, stated that in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2020 and of its financial performance for the year then ended.

Our auditor's report was modified to include an emphasis of matters paragraph. This drew attention to the financial statement disclosure explaining that COVID-19 had contributed to 'material valuation uncertainty' in the valuation of the Council's land and buildings and investment properties, and in the Council's share of Derbyshire Pension Fund's property investment assets included in the estimated net Pension Liability.



2. AUDIT OF THE FINANCIAL STATEMENTS

Our approach to materiality

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

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

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2020:

| | | |
|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| Financial statement materiality | Our financial statement materiality is based on 2% of Gross Operating Expenditure. | £1.24m |
| Trivial threshold | Our trivial threshold is based on 3% of financial statement materiality. | £37k |
| Specific materiality | <p>We have applied a lower level of materiality to the following areas of the accounts:</p> <ul style="list-style-type: none">• Senior Officer Remuneration• Members Allowances• External Audit Fee | <p>£5k</p> <p>£93k</p> <p>£8k</p> |



2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant audit risks

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

| Identified significant risk | Our response | Our findings and conclusions |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Management override of controls In all entities, 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. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits | We addressed this risk through performing audit work over accounting estimates and financial journal entries and significant transactions outside the normal course of business or otherwise unusual. | Our audit procedures did not identify any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention. |
| Valuation of Property, Plant and Equipment and Investment Properties The Council's accounts contain material balances and disclosures relating to its holding of Property, Plant and Equipment, and Investment Properties with the majority of these assets required to be carried at valuation. | We performed a range of audit tests, including, but not limited to: <ul style="list-style-type: none"> • Reviewing the valuer's qualifications, objectivity and independence to carry out the required programme of revaluations. • Testing a sample of valuations to ensure the correct methodology had been applied and were supported by appropriate evidence. • Considering the impact of assets not revalued in 2019/20 to ensure these remained materially correct at the balance sheet date. | The Council's valuer declared that the valuation of the Council's property assets were subject to 'material valuation uncertainty' as a result of COVID-19 and this was disclosed in Note 4 of the financial statements and referred to in the 'emphasis of matter' paragraph in our audit report. A 'material valuation uncertainty' declaration does not mean that the valuation cannot be relied upon, only that, because of the extraordinary circumstances arising from COVID-19, less certainty can be attached to the valuation. |



2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant audit risks (continued)

| Identified significant risk | Our response | Our findings and conclusions |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation of the Net Pension Liability <p>The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we determined there to be a significant audit risk in this area.</p> | <p>We performed a range of audit tests, including, but not limited to:</p> <ul style="list-style-type: none"> • Liaising with the auditor of the Derbyshire Pension Fund to obtain direct assurance over the controls surrounding membership, contributions and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. • Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. • Considered the impact of the remedy solution for the McCloud legal judgement on the net pension liability. | <p>'Material valuation uncertainty' was disclosed on the Pension Fund's property investment assets as a result of COVID-19. As the Council's share of those assets in the net Pension Liability in its own balance sheet is material, the Council has disclosed this in Note 4 of the financial statements and we have reflected this in the 'emphasis of matters' paragraph in our Audit Report.</p> |

Internal control recommendations

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



3. VALUE FOR MONEY CONCLUSION

| | |
|----------------------------|-------------|
| Value for money conclusion | Unqualified |
|----------------------------|-------------|

Our audit approach

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

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

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

Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our conclusion exists. Risk, in the context of our 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.

When we perform our work, we consider whether there are any areas requiring additional audit attention as a "Significant Audit Risk", which we report to the Audit Committee prior to finalising our conclusion. For 2019/20, we did not identify any significant audit risks.

Overall Conclusion

Our auditor's report stated that that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2020.



4. OTHER REPORTING RESPONSIBILITIES

| | |
|------------------------------------------------------------------------|-------------------------|
| Exercise of statutory reporting powers | No matters to report |
| Completion of group audit reporting requirements | Below testing threshold |
| Other information published alongside the audited financial statements | Consistent |

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

Matters on which we report by exception

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

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

We have not exercised any of these statutory reporting powers.

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

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

The National Audit Office, as group auditor, requires us to complete a Whole of Government Accounts Assurance Statement in respect of financial consolidation data produced by the Council. We submitted this information to the NAO on 30 November 2020.

Other information published alongside the financial statements

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



5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum.

Having completed our work for the 2019/20 financial year, we can confirm that our final fees are as follows:

| Area of work | 2019/20 proposed fee | 2019/20 final fee |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------|----------------------|
| Delivery of audit work under the NAO Code of Audit Practice | £38,046 | |
| Fee Variations*: | | |
| • Additional Testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes | | £7,067 |
| • Additional costs associated with 2019/20, including, but not limited to: | | £5,032 |
| • Impact of 'Material Valuation Uncertainty' in Council's Property Assets and its share of Pension Fund Investment Assets | | |
| • Updating audit risk assessments, including the value for money conclusion | | |
| • Additional considerations of estimation uncertainty in going concern, | | |
| • Changes impacting pension liabilities through McCloud and Goodwin | | |
| Final audit fee | | £50,145 |
| Assurance**: | | |
| • Certification of Housing Benefit Subsidy Claim | £7,000 | |
| • Pooling of Housing Capital Receipts Return | £4,000 | |
| Other non-Code work | Nil | Nil |

*Fee variations subject to confirmation from PSAA.

**Work is ongoing

Fees for other work

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

6. FORWARD LOOK: AUDIT CHANGES 2020/21

Changes to the Code of Audit Practice

The Code of Audit Practice (the Audit Code), issued by the Comptroller and Auditor General, prescribes the way we carry out our responsibilities as your auditors. On 1st April 2020 a new Code came in to force and will apply to our work from 2020/21 onwards.

The new Audit Code continues to apply the requirements of International Standards on Auditing (ISAs) to our audit of the financial statements. While there are changes to the ISAs that are effective from 2020/21 the Audit Code has not introduced any changes to the scope of our audit of the financial statements. We will continue to give our opinion on the financial statements in our independent auditor's report.

There are however significant changes to the work on value for money arrangements, and the way we report the outcomes of our work to you.

The auditor's work on value for money arrangements

From 2020/21 we are still required to satisfy ourselves that you have made proper arrangements for securing the economy, efficiency and effectiveness in your use of resources, however unlike under the 2015 Audit Code, we will no longer report in the form of a conclusion on arrangements. Instead, where our work identifies significant weaknesses in arrangements, we are required to report those weaknesses to you, along with the actions that need to be taken to address those weaknesses.

Our work will focus on three criteria specified in the revised Audit Code:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Under the new Audit Code, we will be expected to report and make recommendations as soon as we identify a significant weakness in arrangements, as opposed to reporting our conclusion on arrangements at the end of the audit cycle as has previously been the case.

Reporting the results of the auditor's work

We currently issue you with an Annual Audit Letter which provides a summary of our work across all aspects of our audit. From 2020/21 the Annual Audit Letter will be replaced by the Auditor's Annual Report. This will continue to provide a summary of our work over the year of audit but will also include a detailed commentary on your arrangements in place to achieve economy, efficiency and effectiveness. This commentary replaces the conclusion on arrangements that was previously provided and will include details of any significant weakness identified and reported to you, follow up of any previous recommendations made, and our view as to whether recommendations have been implemented satisfactorily.

The new Audit Code will result in additional officer time and auditor time and therefore audit fees.



6. FORWARD LOOK: AUDIT CHANGES 2020/21

Redmond Review

In September 2020, Sir Tony Redmond published the findings of his independent review into the oversight of local audit and the transparency of local authority financial reporting. The report makes several recommendations that, if implemented, could affect both the financial statements that local authorities are required to prepare and the work that we as auditors are required to do.

The report and recommendations are wide-ranging, and includes:

- the creation of the Office of Local Audit and Regulation (OLAR), to manage, oversee and regulate local audit;
- reviewing reporting deadlines;
- reviewing governance arrangements in local authorities, including the membership of the Audit Committee; and
- increasing transparency and reducing the complexity of local authority financial statements.

The recommendations and findings will now be considered by the Ministry of Housing, Communities and Local Government and we look forward to working with all stakeholders to implement changes to ensure the development and sustainability of local audit.

The full report is available here: <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>



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*where permitted under applicable country laws

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Audit Progress Report

Bolsover District Council

January 2021

26



1. Audit Progress
2. National Publications

27

01

Section 01: **Audit Progress**

Audit Progress

Purpose of this report

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

The report includes at Section 2 for your information a summary of recent reports which we believe are relevant to your responsibilities.

Audit progress

We completed our external audit of the Council’s 2019/20 financial statements and value for money conclusion in November 2020, signing the audit report on 30 November. Audit Committee members were sent an updated Audit Completion Report with the completed audit findings.

We issued our Audit Certificate, which formally closed the 2019/20 audit on 30 November.

We issued our 2019/20 Annual Audit Letter in December 2020. The Annual Audit Letter is issued for the attention of all Members and is the final communication from us on the year’s audit. It summarises our findings for the year and confirms the final 2019/20 audit fee.

There is still work in progress on two 2019/20 returns (the Housing Benefit Subsidy Claim and the Pooling of Housing Capital Receipts return). We expect to complete this work and issue the required assurance reports by the 31 January 2021 deadline.

We have commenced our audit planning for the 2020/21 audit and will present our Audit Strategy Memorandum to the next Audit Committee meeting. We have continued to hold regular discussions with the Council’s Head of Finance and Resources and the finance team and these help us to keep up to date with emerging issues that may impact on our external audit.

Audit Progress (continued)

External audit work on the Council's arrangements to deliver value for money in its use of resources

We reported during 2019/20 that the National Audit Office had updated their Code of Audit Practice and that this new Code applies from 2020/21. The new Code changes the work that auditors will be required to do, and the related reporting, on Councils arrangements to deliver value for money in their use of resources.

The changes to the reporting requirements means that from 2020/21 we will no longer include a value for money conclusion in our Financial Statements Audit Report. We will report our commentary on the Council's arrangements to deliver value for money in a new Auditor's Annual Report (which replaces the Annual Audit Letter). The NAO Code requires that where auditors identify weaknesses in Council's arrangements they should report recommendations to the Council promptly through the year.

In carrying out our work we will comply with the NAO's guidance on value for money work, which identifies that the work must have regard to the following specific criteria:

- **Financial sustainability:** how the body plans and manages its resources to ensure it can continue to deliver its services;
- **Governance:** how the body ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness:** how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The new Code requirements represent a significant change to the focus and reporting of our value for money conclusion work. We will keep the Audit Committee up to date on our progress as we complete our audit work.

02

Section 02: **National Publications**

National Publications

| | Publication/update | Key points | Page |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|------|
| CIPFA | | | |
| 1 | Code of Practice on Local Authority Accounting in the United Kingdom: Disclosure Checklist for 2020/21 Accounts | 2020/21 Disclosure checklist | 8 |
| 2 | Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for 2020/21 Accounts | 2020/21 Code Guidance Notes | 8 |
| 3 | Service Reporting Code of Practice for Local Authorities 2021/22 | 2020/21 SeRCOP Guidance | 8 |
| 4 | Guidance for Head of Internal Audit Annual Opinions 2020/21 | Guidance | 9 |
| 5 | A Guide to Local Authority and Public Sector Asset Management | Step-by-step guide | 9 |
| 6 | Planning to Deliver Good Value in Demand-led Services (social care) | Good practice framework | 9 |
| National Audit Office | | | |
| 7 | Local auditor reporting application | Data on local auditor reporting presented through an interactive map | 10 |
| MHCLG | | | |
| 8 | Local authority financial reporting and external audit: government response to the Redmond review | MHCLG's response to Sir Tony Redmond's independent review | 11 |
| Financial Reporting Council | | | |
| 9 | Local Audit Inspections | FRC Audit Quality report | 12 |

NATIONAL PUBLICATIONS

CIPFA

1. Code of Practice on Local Authority Accounting in the United Kingdom: Disclosure Checklist for 2020/21 Accounts, January 2021

The 2020/21 version of the disclosure checklist has been updated to reflect the reporting requirements introduced by the 2020/21 Code of Practice. This annual publication is for finance practitioners in local authorities and external audit agencies and firms in England, Scotland and Wales.

The checklist is in the form of a series of questions. If the answer to any question is no, then a justification for departing from the Code should be given and potentially disclosed in the accounts, where the impact of departures is material.

<https://www.cipfa.org/policy-and-guidance/publications/d/disclosure-checklist-202021-print>

2. Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for 2020/21 Accounts, January 2021

This edition of the Guidance Notes provides detailed guidance on the key accounting changes introduced by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2020/21, and includes amendments to implement amendments to accounting standards, reference to arrangements for the application of accounting standards arising as a consequence of the UK's withdrawal from the EU and legislative amendments. The example financial statements have also been updated to reflect these changes.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-guidance-notes-202021-print>

3. Service Reporting Code of Practice for Local Authorities 2021/22, January 2021

Modern local government is constantly developing and adapting to its current economic climate. Transparency initiatives, performance and best value regimes are evolving in expectation of the government becoming more sophisticated.

SeRCOP is reviewed annually to ensure that it develops in line with the needs of local government, transparency, best value and public services reform.

In England, SeRCOP is given legislative backing under the Local Government Act 2003. In Scotland SeRCOP's Service Expenditure Analysis (SEA) and guidance is used by the Scottish Government as the basis for specifying the requirements of the Local Financial Returns (LFRs).

<https://www.cipfa.org/policy-and-guidance/publications/s/service-reporting-code-of-practice-for-local-authorities-202122>

NATIONAL PUBLICATIONS

CIPFA

4. Guidance for Head of Internal Audit Annual Opinions 2020/21, November 2020

The annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is a requirement of the Public Sector Internal Audit Standards (PSIAS). It is an important source of assurance that supports a local government body's annual governance statement.

If sufficient assurance is not available from internal audit work completed and other sources of assurance that the head of internal audit may seek to place reliance on then they should publish a limitation of scope to explain the position and impact on the annual opinion. The guidance sets out the steps heads of internal audit, together with the leadership team and audit committee, should take.

To further support the guidance CIPFA held a free webinar on 15 December.

<https://www.cipfa.org/policy-and-guidance/standards/guidance-for-head-of-internal-audit-annual-opinions-202021>

5. A Guide to Local Authority and Public Sector Asset Management, November 2020

This step by step guide to asset management in the public sector has been produced by CIPFA Property. It takes the reader on the asset management journey, from the development of strategic asset management policies and strategies designed to deliver corporate objectives through to the development, implementation, challenge and review of asset management practices and portfolios.

<https://www.cipfa.org/policy-and-guidance/publications/a/asset-management-in-the-public-sector-a-practitioners-guide>

6. Planning to Deliver Good Value in Demand-led Services (social care), November 2020

Several local authorities successfully deliver good value in these areas, and this publication draws on their experience and best practice. It sets out a three step framework, based on a number of essential elements that recognise the challenges involved. This framework emphasises the importance of business partnering and ensuring plans reflect reality to enable improved operational and financial resilience.

<https://www.cipfa.org/policy-and-guidance/publications/p/planning-to-deliver-good-value-in-demand-led-services-social-care>

NATIONAL PUBLICATIONS

National Audit Office

7. Local auditor reporting application, December 2020

The local auditor reporting application presents the opinions of local auditors on local public bodies' financial statements and conclusions on whether they have proper arrangements in place to secure value for money. The data is presented through an interactive map which allows users to explore auditor reporting for nine different types of local body and two different audit years. The interactive map also contains pop-ups to enable users to access further information about the body, such as the local auditor's report or annual audit letter.

<https://www.nao.org.uk/other/local-auditor-reporting-application/>

NATIONAL PUBLICATIONS

MHCLG

8. MHCLG's response to Sir Tony Redmond's independent review, December 2020

The response of the Ministry of Housing, Communities and Local Government to Sir Tony Redmond's Independent review into the oversight of local audit and the transparency of local authority financial reporting. The Redmond Review made 23 recommendations relating to the quality, timeliness and sustainability of local audit, and the transparency of local authority accounts. The department has grouped its response into 5 themes, which are summarised in Annex A to the response.

Amongst the responses MHCLG confirmed that they intend to amend existing regulations to extend the deadline for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years). At the end of this period they will review whether there is a continued need to have an extended deadline.

They also confirmed that they did not intend to create an Office of Local Audit and Regulation (OLAR) stating in their response that they “do not wish to re-create the costly, bureaucratic and over-centralised Audit Commission”. They added that they “will commit to explore the full range of options as to how best to deliver Sir Tony's finding that a ‘system leader’ is required. This will include close consideration of whether existing bodies could take on this function.”

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-government-response-to-the-redmond-review/local-authority-financial-reporting-and-external-audit-government-response-to-the-independent-review>

NATIONAL PUBLICATIONS

Financial Reporting Council

9. Major Local Audits – Audit Quality Inspection, October 2020

The framework for the inspection of local audit work

Responsibility for the inspection of local audit work is now with the Financial Reporting Council (FRC) for ‘major local audits’ (those with annual expenditure which exceeds £500m) and the ICAEW for those bodies which do not meet the major local audit definition. As part of their inspection of major local audits for the 2018/19 financial year, the Audit Quality Review (AQR) team of the FRC reviewed two of our major local audits and found these to require significant improvements in respect of our audit of the financial statements. The same reviews indicated that our work on value for money arrangements for those audits was of a good standard. Our non-major local audits for 2018/19 were not subject to inspection by the ICAEW.

Our response to the FRC’s findings

We are committed to delivering high-quality audits to all of our clients and have responded robustly to the AQR’s findings. Our Local Audit Quality Plan incorporates the risks to audit quality identified from a range of sources and identifies that actions we have put in place, or are taking, to mitigate these risks. Our Audit Quality Team is responsible for the maintenance of the plan which is also subject to oversight and scrutiny from the firm’s Audit Board.

In addition, we have undertaken a detailed root cause analysis project to identify and understand the drivers of poor audit quality in some of our local audit work. This has focused on all local audits where the need for improvement or significant improvements have been identified either through external inspections or our programme of internal quality monitoring reviews.

We have taken steps to respond to the AQR’s specific findings in relation to our work in the following areas of the audit:

- Testing the valuation of property assets;
- Exercising appropriate oversight of group audits, including the direction, supervision and review of the work of component auditors; and
- Document judgements made as part of the audit process, specifically those in relation to our testing of income and expenditure.

We have also strengthened our standard procedures in relation to the audit of net defined benefit pension liabilities arising from our clients’ membership of local government pension schemes.

The FRC’s report on its inspection findings in relation to the quality of major local audits for the year ended 31 March 2019, can be found [here](#). This also includes our detailed response to their findings on our financial statement audits.

NATIONAL PUBLICATIONS

Financial Reporting Council

9. Major Local Audits – Audit Quality Inspection, October 2020 (continued)

What this means for the Council

As outlined above, we take the weaknesses identified by the FRC extremely seriously, and our response to the improvement areas has been robust. It is clear that on areas of the audit such as the valuation of property assets (including investment properties) and the audit of defined benefit pension liabilities, we must do more to meet the regulator’s expectations. This means the time we spend on these areas of the audit will increase and the level of challenge we apply in auditing these areas will also increase. Your finance team and your experts will have seen the increase in the scope and scale of work we have undertaken in 2019/20 in terms of the granularity and depth of testing and changes to our sample sizes in a number of key areas.

Going forward, our response and the increase in the challenge we make, is likely to include the engagement of our own experts (for example, property valuation experts) to fully consider the methodologies and judgements applied by the Council’s own experts. There will be consequential effects on the fee that we are likely to request from the Council to undertake the audit.

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Bolsover District Council

Audit Committee

26th January 2021

| |
|-------------------------------------------------------------------------------------------------------|
| <p><u>Internal Audit Consortium Summary of Progress on the 2020/21 Internal Audit Plan</u></p> |
|-------------------------------------------------------------------------------------------------------|

Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

- To present, for members' information, progress made by the Internal Audit Consortium in respect of the 2020/21 Internal Audit Plan.

1 Report Details

- 1.1 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.

Audits Issued

- 1.2 Appendix 1 is a summary of reports issued between the 2nd September 2020 and the 31st December 2020. The Appendix shows for each report the level of assurance given and the number of recommendations made / agreed where a full response has been received. This provides an overall assessment of the system's ability to meet its objectives and manage risk. The definitions of the assurance levels used can be seen in the table below:-

| 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. |

- 1.3 In this period 10 reports have been issued, 8 with substantial assurance and 2 with reasonable assurance.
- 1.4 Reports are issued as Drafts with five working days being allowed for the submission of any factual changes, after which time the report is designated as a Final Report. Fifteen working days are allowed for the return of the Implementation Plan.
- 1.5 In respect of the audits being reported, it is confirmed that no issues arising relating to fraud were identified.

Progress on the 2020/21 Internal Audit Plan

- 1.6 A mid- year review of progress against the internal audit plan and a discussion in relation to the potential risks arising due to COVID 19 has been undertaken with the Section 151 Officer. On the whole, it is felt that the plan is still appropriate. For the areas reviewed it will be ensured that COVID 19 has not adversely affected the controls in place.
- 1.7 Due to the value of business grants awarded (small business grants, leisure, retail and hospitality grants and discretionary grants) internal audit will be dedicating some time to the review of the procedures followed and ensuring that there has been an adequate separation of duties in place.

- 1.8 At the end of November 2020 CIPFA issued guidance in relation to the Head of Audits Annual Opinion: Addressing the Risk of a limitation of scope (Appendix 2). A limitation of scope should be considered if enough work has not been carried out to provide assurance on the Council's Governance, risk management and control processes in place. There is no definition of the amount of work required to provide an opinion, this is left up to professional judgement.
- 1.9 At this stage I believe that by prioritising the work for the remainder of the year I will be able to give a full audit opinion.
- 1.10 Appendix 3 shows the 2020/21 internal audit plan and details the audits that have been completed and those in progress. It is considered that reasonable progress is being made given the circumstances. However, there will be a need to carry some areas forward to 2021/22 and the 2020/21 plan may still be subject to change should significant risks emerge.

2 Conclusions and Reasons for Recommendation

- 2.1 To inform Members of progress on the Internal Audit Plan for 2020/21 and to provide details of the Audit Reports issued to date.
- 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 Recommendations

- 6.1 That the report be noted.
- 6.2 That the impact of COVID-19 on the ability to complete the current audit plan and the potential for future changes to the plan is noted and approved.
- 6.3 That the CIPFA guidance relating to the Head of Internal Audit Annual Opinion: Addressing the Risk of a limitation of scope be noted.

7 Decision Information

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

8 Document Information

| Appendix No | Title |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|
| 1 | Summary of Internal Audit reports issued between the 2 nd September and the 31st December 2020 |
| 2 | CIPFA guidance : Addressing the risk of a Limitation of Scope |
| 3 | Current progress on the 2020/21 Internal Audit Plan |
| Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers) | |
| | |

| Report Author | Contact Number |
|-----------------------------------------------------|-----------------------|
| Jenny Williams Internal Audit Consortium Manager | 01246 959770 |

BOLSOVER DISTRICT COUNCIL

Internal Audit Consortium - Report to Audit Committee

Summary of Internal Audit Reports Issued 2nd September 2020 – 31st December 2020

| Report Ref No. | Report Title | Scope and Objectives | Assurance Provided | Date | | Number of Recommendations | |
|----------------|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------|--------------|---------------------------|----------|
| | | | | Report Issued | Response Due | Made | Accepted |
| B004 | Procurement | To ensure that Financial Regulations are adhered to and that staff have been appropriately trained, that VFM is being obtained. | Reasonable | 14/9/20 | 5/10/20 | 6 (5M 1L) | 6 |
| B005 | Asset Management | To ensure that the Council has a strategy for managing its assets and that this is adhered to. | Substantial | 14/9/20 | 5/10/20 | 3 (2M 1L) | 3 |
| B006 | VAT | To ensure that VAT returns are completed promptly and accurately | Substantial | 24/9/20 | 15/10/20 | 0 | 0 |
| B007 | CIPFA Financial Management Code | To review the Council's compliance with the new Code | Substantial | 2/10/20 | 23/10/2020 | 3 (1M 2L) | 3 |

| Report Ref No. | Report Title | Scope and Objectives | Assurance Provided | Date | | Number of Recommendations | |
|----------------|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|---------------|--------------|---------------------------|----------|
| | | | | Report Issued | Response Due | Made | Accepted |
| B008 | Climate Change | To ensure that the Council is taking appropriate action to meet its political promises in terms of climate change. | Substantial | 19/10/2020 | 9/11/20 | 2L | 2 |
| B009 | Corporate Targets | To review a sample of Corporate targets to ensure that they are clearly defined, have been calculated correctly and link to the Council's ambitions. | Substantial | 5/11/20 | 26/11/20 | 1L | 1 |
| B010 | Social Media | To ensure that there is a policy in place and that the use of social media is well controlled | Reasonable | 19/11/20 | 10/12/20 | 3M 1L | 4 |
| B011 | Joint Dog Warden Service | To ensure there is an adequate system for receiving, logging, actioning and monitoring requests, To ensure that fees and charges are charged correctly. | Substantial | 2/12/20 | 23/12/20 | 2L | 2 |

| Report Ref No. | Report Title | Scope and Objectives | Assurance Provided | Date | | Number of Recommendations | |
|----------------|----------------------------|-----------------------------------------------------------------------------------------------------|--------------------|---------------|--------------|---------------------------|----------|
| | | | | Report Issued | Response Due | Made | Accepted |
| B012 | Disabled Facilities Grants | To ensure that DFG's are awarded appropriately, tenderers are selected fairly and work is monitored | Substantial | 17/12/2020 | 19/01/2021 | 3L | Note 1 |
| B013 | Street Cleansing | To review the processes and procedures in place | Substantial | 22/12/20 | 21/01/2021 | 1M 1L | 2 |

Note 1 Response not due at time of writing report

H = High Priority

M = Medium Priority

L = Low Priority



CIPFA Guidance to Internal Auditors and the Leadership Team and Audit Committee of Local Government Bodies

Head of Internal Audit Annual Opinions: Addressing the Risk of a Limitation of Scope

Introduction and rationale for the guidance

The impact of COVID-19 on all the public services has been considerable and for internal auditors it has raised the question of whether they will be able to undertake sufficient internal audit work to gain assurance during 2020/21. This is a key consideration to fulfil the requirement of the Public Sector Internal Audit Standards (PSIAS) for the head of internal audit (HIA) to issue an annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is in turn one of the sources of assurance that the public body relies on for its annual governance statement.

CIPFA recognises that local government bodies are struggling with considerable challenges and are having to make difficult decisions on how best to use their available staff and financial resources to meet critical needs. However, the professional and regulatory expectations on local government bodies to ensure that their internal audit arrangements conform with PSIAS have not changed. In this difficult situation, heads of internal audit will need to consider whether they can still issue the annual opinion or whether there will need to be a limitation of scope. A limitation of scope arises where the HIA is unable to draw on sufficient assurance to issue a complete annual opinion in accordance with the professional standards. This is an issue not only for the HIA but also for the leadership team and the audit committee who normally rely on that opinion. It may also have wider consequences for stakeholder assessments of the organisation.

While the limitation of scope will only be formally published in 2021 as part of the HIA's annual report, this guidance addresses the importance of early identification of the risk. It suggests mitigating actions to be taken now to avoid a limited scope where possible. If a limited scope does become necessary the guidance suggests possible wording to use in the report.

Status of the CIPFA guidance

This guidance is prepared by CIPFA for internal auditors working in or for local government in the UK. CIPFA is the Relevant Internal Audit Standard Setter (RIASS) for local government and works with the other UK RIASS¹ to mandate the PSIAS across the public sector. This guidance has been shared with the other RIASS and other members of the Internal Audit Standards Advisory Board including the Chartered Institute of Internal Auditors. Other sectors should look to the appropriate RIASS for guidance.

This guidance is a sector specific requirement for local government in the UK.

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

Key requirements for local government bodies

The key requirements that heads of internal audit, leadership teams and audit committees should follow are set out below and are supported by additional explanation.

1. The HIA should plan to obtain sufficient assurance to support the annual opinion, taking into account both internal audit work and other sources of assurance. The reliance the HIA is placing on other sources of assurance should be disclosed in the overall opinion.
2. The HIA, leadership team and audit committee should review and discuss internal audit capacity where there are concerns and develop an action plan to mitigate the risk.
3. The HIA should make best use of their audit resources to maximise assurance.
4. Where the HIA considers that a limitation of scope is likely, the leadership team and audit committee should be advised promptly. The HIA should set out the likely consequences assessed and advise on remedial action to avoid a limitation of scope.
5. The HIA annual report should contain a clear explanation of any limitation of scope along with its causes and plans to address the situation going forward.
6. Where the HIA annual report and opinion contains a limitation of scope the authority should state this in the annual governance statement.

Detailed guidance to support implementation

Planning adequate assurance to support the annual opinion

Just as in more normal times the HIA should plan audit work to ensure that sufficient assurance will be available to support the annual opinion. This guidance will not go into details about risk-based audit planning but it emphasises that the professional requirements of PSIAS have not changed. It is likely that internal audit plans will be more fluid than normal as a result of the impact of the pandemic on the organisation. Head of internal audit should already have agreed new audit priorities to cover the new risks and changes from the impact of COVID-19 and that work will provide support for the annual opinion.

CIPFA recognises that the impact of COVID-19 and the capacity of the organisation to respond will vary as a result of a number of factors. Alongside direct internal audit work the HIA can also place reliance on other assurance providers, as set out in PSIAS 250. However it is important to recognise that the quality and availability of that other assurance may also be impacted adversely by the pandemic in some organisations. These factors are likely to be beyond the control of the HIA.

The factors impacting on the availability of assurance from internal audit and other sources of assurance include:

- the changing risks and impacts on the organisation itself
- whether key governance, risk management and internal control arrangements have deteriorated or been maintained
- changes to the resource base of internal audit, whether staff or budget related
- demands on internal audit for any advisory or non-audit support that will not directly support the HIA opinion
- operational disruptions that impact on the access of internal auditors to key staff, information or systems resulting in greater inefficiency and reduced outputs.

Where an organisation has adopted a comprehensive assurance framework then this may be used by the HIA to support the opinion, if those other sources of assurance are demonstrated to be robust. CIPFA's [Financial Management Code](#) (FM Code), which is applicable to all UK local government bodies, has

assurance as one of its key principles. Principle C of the FM Code clearly sets out the responsibility of the leadership team to establish and support appropriate arrangements:

The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.

The CIPFA [*Statement on the Role of the Head of Internal Audit*](#) also emphasises the responsibility of the leadership team for establishing wider frameworks of assurance and accountability.

Engagement between the leadership team, audit committee and HIA

The PSIAS require regular communication and engagement with the leadership team and audit committee on the development of the internal audit plan (PSIAS 2010 and 2020), its execution (PSIAS 2060) and the results of the audit engagements (PSIAS 2400). Each organisation will have its own agreed arrangements in place that will also take into account the terms of reference of the audit committee. The CIPFA [*Position Statement on Audit Committees in Local Authorities and Police*](#) (2018) sets out the responsibility for the audit committee to provide oversight of the independence, performance and professionalism of internal audit.

PSIAS 2030 requires the HIA to ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan. If the HIA believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, the consequences must be brought to the attention of the leadership team and audit committee promptly. The CIPFA *Statement on the Role of the Head of Internal Audit* is clear that to perform their role effectively the HIA must lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively (Principle 4).

It is the responsibility of the organisation's leadership team to provide the HIA with the resources, expertise and systems necessary to perform their role effectively. Therefore it is essential for there to be meaningful engagement between the HIA, leadership team and audit committee. If the HIA has concerns about the quantity or calibre of internal audit resources available or there are other operational barriers to the delivery of the audit plan, they should assess the impact and likely consequences for the annual opinion and work with the leadership team and audit committee to find solutions to bridge the gap.

Making effective use of internal audit resources

When delivering the risk-based audit plan the HIA, supported by the leadership team, should make every effort to make best use of available internal audit resources over the remainder of the year. Possible actions could include:

- Streamlining audit processes to increase capacity.
- Narrowing the focus of audit scopes to examine only key risks
- Filling vacant audit posts, whether permanently, on a temporary basis or buying in audit expertise from an external provider.
- Exploring opportunities for internal secondments or other support for the audit team from non-internal audit staff who can nevertheless undertake some internal audit work.
- Evaluating any requests for advisory work and prioritising assurance work and advisory work that supports the annual opinion.
- Avoiding diversion of internal audit staff on to counter fraud work, or other non-core audit work, beyond that which is already accommodated within the plan.
- Increasing communication with client services to help ensure good co-operation from client services and avoid unnecessary delays in undertaking engagements.

Where the internal audit service provides services to partner bodies or on a commercial basis then agreements in place may provide little scope to amend resourcing in the short term.

Early identification of a limitation of scope

A limitation of scope arises where the HIA is unable to draw on sufficient assurance to issue a complete annual opinion. This should not be confused with an adverse opinion, which arises when sufficient work has been completed to enable the HIA to conclude that arrangements are not adequate and effective.

There are three possible scenarios for a limitation of scope:

1. The HIA has obtained insufficient assurance across each of the three aspects of the opinion: governance, risk management and internal control, and is therefore unable to issue an opinion.
2. The HIA has obtained insufficient assurance across one of the three aspects of the opinion. The limitation of scope will be restricted to that aspect only.
3. The HIA has obtained insufficient assurance across a significant subset of risk or area of operation that is material. An example might be where there were significant engagements set out in the plan that the audit service could not complete.

Where one of these situations is a risk then the HIA should take steps to inform the leadership team and audit committee of it as soon as possible and identify the underlying reasons. As part of the discussions with the leadership team and audit committee the HIA should identify the following:

- the extent of limitation of scope that is likely
- the reasons for limitation being necessary
- remedial steps planned or sought to minimise the extent of the limitation
- consequences of not addressing the risk that a limitation of scope will impact on the opinion.

Understanding the consequences of a limitation of scope

The primary consequence is that the leadership team and those charged with governance do not receive independent assurance that the framework of governance, risk management and control is adequate and effective. Without this assurance the organisation should consider the risk of significant control weaknesses, inefficiencies or poor performance remaining unidentified. In addition, opportunities for improvement may be lost. While internal audit can only offer reasonable assurance, not a 100% guarantee, the presence of that reasonable assurance is rightly valued.

Other consequences to consider:

- The organisation will need to highlight the limitation in its annual governance statement when referring to the HIA opinion
- Where the reason for the limitation also results in significant non-conformance with PSIAS during the year, then the HIA must report that as part of the quality assurance and improvement programme (QAIP) (PSIAS 1320). The results of the QAIP must be included in the annual report (PSIAS 2450). CIPFA's view is that if the limitation of scope is so significant that the HIA cannot provide an annual opinion that fulfils the PSIAS requirement then it is likely that there are other areas of non-conformance. Taken as a whole the internal audit service may no longer conform with PSIAS.
- The internal audit team is only able to state that they conform with the PSIAS if the results of the QAIP can demonstrate that. So if the last EQA concluded that the service conformed, but this year's QAIP demonstrates that the internal audit service does not, then it cannot claim to conform with PSIAS. Non-conformance should be considered for inclusion in the annual governance statement.

- Non-conformance with the PSIAS should also be taken into account when assessing the strength of assurance and the organisation's compliance with the CIPFA FM Code.
- If the internal audit service bids for or supplies its services to other organisations or partner bodies then losing conformance with the standards may have commercial consequences.
- The organisation's external auditor may take the limitation on the audit opinion or non-conformance with PSIAS into account when reviewing overall governance arrangements under the value for money or best value scope of the external audit. Different external audit arrangements apply across the UK and audit committees may wish to discuss this matter with their local auditors to understand the consequences.
- Internal audit will have a smaller than anticipated knowledge base to support future audit planning. The HIA will need to consider the implications for planning and resources as a consequence.
- Outside bodies who may have looked to the internal audit opinion as evidence for the organisation's sound governance may draw adverse inferences from the reported opinion.

Suggested wording of the limitation

In the annual report the HIA should detail the impact of COVID-19 on internal audit and the underlying causes of the limitation of scope. It should set out steps taken to mitigate or compensate, for example where additional reliance has been placed on other assurance providers.

The PSIAS do not specify the wording to use for the opinion section within the annual report but it should be clearly linked to the PSIAS requirement of *the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control*. The suggested wordings below apply when there is a need to accommodate a limitation of scope.

| Type of limitation | Suggested wording |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The HIA has obtained insufficient assurance across each of the three aspects of the opinion: governance, risk management and internal control, and is therefore unable to issue an opinion. | <p>The results of the work carried out by internal audit, taken together with other sources of assurance, are not sufficient to support an HIA annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion is a requirement of PSIAS.</p> <p>The results of internal audit work concluded during the year and a summary of where it is possible to place reliance on the work of other assurance providers is presented in the annual report but this does not result in a comprehensive opinion.</p> <p>This limitation of scope has arisen because of... [reasons]</p> <p>To avoid similar limitations in future the HIA plans to... [actions].</p> |
| The HIA has obtained insufficient assurance across one of the three aspects of the opinion: governance, risk management and internal control. The limitation of scope will be restricted to that aspect only. | <p>The results of the work carried out by internal audit, taken together with other sources of assurance, are not sufficient to support an HIA annual opinion on the overall adequacy and effectiveness of the organisation's framework of <i>[specify one of governance, or risk management or control]</i>.</p> <p>The results of internal audit work concluded during the year and a summary of where it is possible to place reliance on the work of other assurance providers in respect of <i>[governance or risk management or control]</i> is presented in the annual report but this does not result in an opinion on this aspect.</p> <p>[The HIA can then present their opinion on the remaining two aspects required.]</p> <p>This limitation of scope has arisen because of... [reasons]</p> <p>To avoid similar limitations in future the HIA plans to... [actions].</p> |
| The HIA has obtained insufficient assurance across a significant subset of risk or area of operation that is material. | <p>The HIA opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is <i>[set out opinion]</i>.</p> <p>The HIA opinion however must exclude <i>[specify area excluded]</i> as there is insufficient assurance available for the HIA to offer reasonable assurance.</p> <p>This limitation of scope has arisen because of... [reasons]</p> <p>To avoid similar limitations in future the HIA plans to... [actions].</p> |

Note it is possible for the HIA to separate out their annual opinions on governance, risk management and control if it is more meaningful to do so. This might arise for example where one aspect was significantly weaker than the other.

Ensuring there is a robust plan for future years

The HIA, leadership team and audit committee should work together to ensure that internal audit will be sustainable in 2021/22 and onwards. Specifically, they should ensure that the HIA can develop a risk-based plan that will support the annual opinion. Regular reporting and monitoring should take place to ensure that achievement of the plan is on track.

Where the organisation has identified weaknesses in any assurance arrangements beyond internal audit then the leadership team should develop appropriate improvement plans and the audit committee should monitor these regularly.

For further information please contact Diana Melville, Governance Advisor CIPFA

diana.melville@cipfa.org

**Approved by the Public Financial Management Board, CIPFA
19 November 2020**

Bolsover District Council Internal Audit Plan 2020/21

| | |
|--|-------------------|
| | Audit Complete |
| | Audit in Progress |
| | Ongoing |

| | | | |
|--|-----------------------------------------------------------------------------------|---------------------|-----------------|
| | Carried Forward from 19/20 | 19/20 Days | Priority |
| | Members Expenses | 10 | L |
| | Homelessness | 12 | L |
| | Main Financial Systems | 2020/21 Days | Priority |
| | CIPFA Financial Management Code | 8 | M |
| | Debtors | 15 | Defer to 21/22 |
| | Cash and Banking (key controls) | 13 | M |
| | Council Tax | 20 | M |
| | Non Domestic Rates(Key Controls) Exchange for Discretionary grant payments | 10 | M |
| | Housing / Council Tax Benefit | 18 | Defer to 21/22 |
| | Housing Rents | 20 | M |
| | Housing Repairs | 20 | M |
| | Total Main Financial Systems | 124 | |
| | Other Operational Audits | 2020/21 | Priority |
| | Asset Management Arrangements | 10 | M |
| | Careline / Supporting People | 10 | L |
| | Community Safety | 10 | L |
| | Corporate Targets | 15 | M |

| | | | |
|--|---------------------------------------------|----------------|-----------------|
| | Data Protection | 12 | M |
| | Disabled Facilities Grants | 10 | L |
| | Dog Warden | 5 | L |
| | Elections (carry forward 19/20) | 10 | L |
| | Facilities Management (carry forward 19/20) | 12 | M |
| | Final Accounts | 7 | |
| | Food Hygiene | 13 | H |
| | Gas Servicing | 12 | M |
| | Housing Allocations and Lettings | 15 | M |
| | Planning Processes & Procedures / Appeals | 10 | M |
| | Procurement | 15 | H |
| | Social media | 8 | L |
| | Street Cleansing | 10 | L |
| | VAT | 8 | L |
| | Total Operational Areas | 192 | |
| | IT Related | | |
| | Laptops / Removable Media | 12 | M |
| | Network / Cyber security | 12 | H |
| | Total IT | 24 | |
| | | 2020/21 | Priority |
| | Fraud and Corruption | | |
| | National Fraud Initiative (Key Contact) | 10 | |
| | Total Fraud and Corruption | 10 | |
| | Corporate / Cross Cutting Issues | | |
| | Climate Change | 5 | H |

| | | | |
|--|-----------------------------------------------------------|------------|---|
| | Corporate Governance/Assurance Statement | 2 | H |
| | Ethics | 10 | M |
| | Financial Advice/Working Groups/Test Schedule Development | 12 | |
| | Mobile Phones / Communications | 10 | L |
| | Transformation Agenda | 10 | H |
| | Use of Consultants / IR35 (carry fwd 19/20) | 14 | L |
| | | | |
| | Total Corporate/Cross Cutting Issues | 63 | |
| | Apprenticeship / Training | 30 | |
| | Special Investigations / Contingency | 25 | |
| | | | |
| | Audit Committee / Client Liaison | 15 | |
| | Grand Total | 483 | |

Bolsover District Council

Audit Committee

26th January 2021

Implementation of Internal Audit Recommendations

Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

- To present, for members' information, a summary of the internal audit recommendations made and implemented for the financial years 2018/19 - 2020/21 to date.

1 Report Details

- 1.1 This report is to inform Members of the Audit Committee of the progress made in respect of implementing internal audit recommendations in order that action can be taken if progress is deemed unsatisfactory.
- 1.2 Appendix 1 details the outstanding internal audit recommendations as at the end of December 2020. The front page of the Appendix provides an analysis of the number of recommendations made and implemented for the financial years 2018/19 – 2020/21 to date. Due to COVID-19 the implementation of some recommendations and / or the updating of the PERFORM system has been delayed.
- 1.3 The timely implementation of internal audit recommendations helps to ensure that the risk of fraud and error is reduced and that internal controls are operating effectively.

2 Conclusions and Reasons for Recommendation

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

3 Consultation and Equality Impact

- 3.1 None

4 Alternative Options and Reasons for Rejection

- 4.1 Not Applicable

5 Implications

5.1 Finance and Risk Implications

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

5.2 Legal Implications including Data Protection

- 5.2.1 None

5.3 Human Resources Implications

- 5.3.1 None

6 Recommendation

- 6.1 That the report be noted.

7 Decision Information

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

8 Document Information

| Appendix No | Title |
|------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| Appendix 1 | Summary of Internal Audit recommendations made and implemented 2018/19 – 2020/21 to date |
| Background Papers (These are unpublished works which have been relied | |

| on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers) | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| N/A | |
| Report Author | Contact Number |
| Jenny Williams – Internal Audit Consortium Manager | 01246 959770 |

Summary of Internal Audit Recommendations made and implemented 2018/19 – 2020/21 to date as at end December 2020

| Recommendations Made | 2018/19 | 2019/20 | 2020/21 to date |
|------------------------------------|----------------|----------------|------------------------|
| Number of High Priority | 8 | 0 | 0 |
| Number of Medium Priority | 41 | 24 | 13 |
| Number of Low priority | 85 | 42 | 21 |
| Total | 134 | 66 | 34 |
| Recommendations Implemented | 123 | 39 | 1 |
| High Recommendations Outstanding | 0 | 0 | 0 |
| Medium Recommendations Outstanding | 1 | 9 | 0 |
| Low Recommendations Outstanding | 10 | 8 | 0 |
| Not overdue yet | 0 | 10 | 33 |
| Total Overdue Recommendations | 11 | 17 | 0 |
| Percentage due implemented | 92% | 70% | N/A |

BDC Internal Audit Recommendations Outstanding

2018/19

| Report | Audit | Directorate | Conclusion | Recommendations | | | Total | Not | Overdue | Implemented |
|--------------|-----------------------------------|-------------|-------------|-----------------|--------|-----|-------|---------|--------------|-------------|
| Ref | | | | High | Medium | Low | | Overdue | | |
| B003 | Money Laundering | People | Reasonable | | 2 | 4 | 6 | | 4 (1M 3L) | 2 |
| B005 | Gifts and Hospitality | People | Substantial | | | 3 | 3 | | 2L | 1 |
| B034 | Premises and Personal Licences | Place | Reasonable | | | 7 | 7 | | 2L | 5 |
| B037 | Fly Tipping | Place | Reasonable | 1 | 3 | 10 | 14 | | 1L | 13 |
| B038 | JVC Dragon Fly | Place | Substantial | | | 4 | 4 | | 2L | 2 |
| | | | | | | | | | | |
| Total | | | | 1 | 5 | 28 | 34 | | 11 | 23 |

2019/20

| Report | Audit | Directorate | Conclusion | Recommendations | | | Total | Not | Overdue | Implemented |
|--------|------------------------------------------------|-------------|-------------|-----------------|--------|-----|-------|---------|--------------|-------------|
| Ref | | | | High | Medium | Low | | Overdue | | |
| B002 | Property Services Compliance | Place | Reasonable | | 2 | 1 | 3 | | 3 (2M 1L) | |
| B004 | Business Continuity & Emergency Planning | Place | Reasonable | | 1 | 4 | 5 | | 1M | 4 |
| B012 | Payroll | People | Substantial | | | 1 | 1 | | 1L | |

| | | | | | | | | | | |
|--------------|-------------------------------------------|--------|-------------|----------|-----------|-----------|-----------|-----------|-----------|----------|
| B015 | Housing Rents | Place | Substantial | | | 1 | 1 | | 1L | |
| B016 | Transformation Agenda | People | Reasonable | | 4 | | 4 | | 4M | |
| B019 | Main Accounting & Budgetary Control | People | Substantial | | | 1 | 1 | | 1L | |
| B022 | Members IT Equipment | People | Reasonable | | 3 | | 3 | 3 | | |
| B023 | The Tangent & Pleasley Vale Business Park | Place | Reasonable | | 2 | 3 | 5 | 2 | | 3 |
| B025 | Housing Repairs (voids) | Place | | | 2 | 4 | 6 | | 5 (2M 3L) | 1 |
| B026 | Transport | Place | | | 1 | 4 | 5 | 3 | 1L | 1 |
| B027 | Sundry Debtors | People | Reasonable | | | 2 | 2 | 2 | | |
| | | | | | | | | | | |
| Total | | | | 0 | 15 | 21 | 36 | 10 | 17 | 9 |

2020/21

3

| Report Ref | Audit | Directorate | Conclusion | Recommendations | | | Total | Not Overdue | Overdue | Implemented |
|------------|------------------|---------------------------|-------------|-----------------|--------|-----|-------|-------------|---------|-------------|
| | | | | High | Medium | Low | | | | |
| B001 | Data Protection | Corporate Resources | Substantial | | | 3 | 3 | 3 | | |
| B002 | Elections | Corporate Resources | Reasonable | | 1 | 3 | 4 | 4 | | |
| B003 | Community Safety | Environmental Enforcement | Substantial | | | 1 | 1 | | | 1 |
| B004 | Procurement | Corporate Resources | Reasonable | | 5 | 1 | 6 | 6 | | |
| B005 | Asset Management | Development | Substantial | | 2 | 1 | 3 | 3 | | |

| | | | | | | | | | | |
|--------------|---------------------------------|---------------------------|-------------------|----------|-----------|-----------|--------------|--------------------|----------------|--------------------|
| B006 | VAT | Corporate Resources | Substantial | | | | 0 | | | 0 |
| Ref | Audit | Directorate | Conclusion | H | M | L | Total | Not Overdue | Overdue | Implemented |
| B007 | CIPFA Financial Management Code | Corporate Resources | Substantial | | 1 | 2 | 3 | 3 | | |
| B008 | Climate Change | Corporate Resources | Substantial | | | 2 | 2 | 2 | | |
| B009 | Corporate Targets | Corporate Resources | Substantial | | | 1 | 1 | 1 | | |
| B010 | Social Media | Corporate Resources | Reasonable | | 3 | 1 | 4 | 4 | | |
| B011 | Joint Dog Warden Service | Environment & Enforcement | Substantial | | | 2 | 2 | 2 | | |
| B012 | Disabled Facilities Grants | Environment & Enforcement | Substantial | | | 3 | 3 | 3 | | |
| B013 | Street Cleansing | Corporate Resources | Substantial | | 1 | 1 | 2 | 2 | | |
| | | | | | | | | | | |
| Total | | | | | 13 | 21 | 34 | 33 | 0 | 1 |

BDC Outstanding Internal Audit Recommendations as at end December 2020

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Money Laundering – June 2018 | Once the Anti-Money Laundering policy has been updated and approved staff with key roles should be made fully aware of their associated responsibilities and ensure compliance with and awareness of the policy going forward. The policy should also be made available to wider employees via the intranet. | Medium December 2018 | The policy was approved by Delegated Decision on 23 rd June 2020. The pandemic has meant there hasn't yet been any big roll out to staff, the document has been put in the library on the intranet. Contact centre staff have been updated but no other staff have yet been trained. |
| Money Laundering – June 2018 | Reporting of Money Laundering incidents and limits of cash that can be accepted needs to be consistent across all staff guidance and related policies/policy to ensure potential issues are promptly dealt with in line with AML regulations. | Low December 2018 | Once policy is approved this recommendation will be completed. |

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------------------|
| Money Laundering – June 2018 | A training programme/matrix to be documented in line with the new regulations (previous training date, records for scope and effectiveness of training) and rolled out for employee's who are working in the "potential risk areas" to keep them updated and refresh their knowledge. | Low December 2018 | Once policy is approved this recommendation will be completed. |
| Money Laundering – June 2018 | The Anti-Money Laundering Compliance Officer (as recommended as part of R2) should undertake a periodic review of payments received into NEDDC and BDC sites. This should identify any regular or large payments of cash with a view to highlighting and reporting any potential instances of money laundering. | Low December 2018 | Once policy is approved this recommendation will be completed. |

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Gifts and Hospitality – June 2018 | It should be ensured that the annual inspection report is presented to the Standards Committee during the year following inspection. | Low End June 2019 | |
| Gifts and Hospitality – June 2018 | Consideration be made to adding 'print name', 'position' and 'date of authorisation' to the Gift/Hospitality Declaration form and to check the Gifts and Hospitality forms upon receipt for appropriate authorisation signatures. | Low End March 2019 | |
| Premises and Personal Licences – March 2019 | To be compliant with legislation, ensure registers of licence are available and published as soon as possible | Low December 2019 | Web connectors have been purchased from Uniform to enable the licensing registers to be published online. This has been delayed by the Covid 19 pandemic. On hold |
| Premises and Personal Licences – March 2019 | Establish a procedure to identify licences that are no longer operational and decide on an appropriate timeframe / | Low July 2020 | This work is low priority. It had commenced but has now been affected by the Covid 19 pandemic and is on hold. |

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | regularity for the committee to revoke these | | |
| Fly tipping – May 2019 | It should be ensured that the new legislation regarding Duty of Care is reflected within the existing Fly tipping policy. | Low December 2019 | The Fly tipping policy is due to be reviewed and will begin when the current Environmental Health service review is concluded. To begin this beforehand would be premature. |
| Joint Venture Company – Dragonfly May 2019 | The areas of taxation which were raised by the external auditors should be subject to continued consideration and resolution to ensure compliance with all liabilities. | Low March 2020 | |
| Joint Venture Company – Dragonfly May 2019 | Consideration should be given to the declaration of interests requirements for all designated Council representatives who have a specific managerial or operational role with Dragonfly Developments Ltd. | Low March 2020 | |
| Property Services Compliance – June 2019 | All contracts in operation should have an agreed set of KPI's which should be monitored and reported accordingly. Any poor performance, or that which | Medium June 2020 | |

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------|
| | falls below expected standards, should be promptly identified and improvement plans agreed with the relevant supplier(s). | | |
| Property Services Compliance – June 2019 | <p>The new Facilities Management Contract should include, but not be limited to:</p> <ul style="list-style-type: none"> • Required frequencies of inspections in each compliance area • Applicable compliance legislation Required quality assurance processes to be applied by the contractor • Performance Indicators for monitoring purposes • Record retention requirements | <p>Medium</p> <p>June 2020</p> | |
| Property Services Compliance – June 2019 | Consider completing a formal reconciliation on a yearly basis with Estates to ensure sites are being inspected as appropriate | <p>Low</p> <p>June 2020</p> | |

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Business Continuity – July 2019 | To inform the next review of the Strategic Alliance Corporate Business Continuity Plan, service area business continuity plans are created / revisited (including key contacts) with the support of the Senior Emergency Planning Officer. | Medium April 2020 | <p>In terms of Business Continuity, in order to meet the requirements of the Civil Contingencies Act 2004 local authorities are required to have in place a corporate business continuity plan and a register of priority functions, which we have. The service area bc plans are more of an additional level of best practice that some local authorities in Derbyshire use and some that decide not to.</p> <p>Based on the current situation and the fact that there have recently been some structural changes, the way the authority works has changed dramatically. My recommendation will be that the corporate business continuity plan will be updated in light of Covid-19 and structural changes, and that I look at, in consultation with Karen, the suitability and effectiveness of having service area bc plans moving forward, and if they are to be continued to look at further training needs.</p> |

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------|
| Payroll – October 2019 | Forms that require a signature for authorisation must be checked to the authorised signatory list before payment is made. It is recommended that discussions are held between Payroll, Finance and HR to update and streamline the authorised signatory process and confirm where responsibilities lie in checking documentation. | Low March 2020 | |
| Housing Rents – December 2019 | In preparation for the new corporate plan, measures of performance should be fully appraised to ensure they provide for clarity, transparency and accountability. | Low End March 2020 | |
| Transformation Agenda – January 20 | Further work is required to embed the Transformation Agenda principles within both BDC & NEDDC. The continued development of the project management principles is required to ensure that the principles of the change | Medium October 2020 | |

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------|
| | requirements are known and that projects are progressed. | | |
| Transformation Agenda – January 20 | Regular communications are required to ensure that staff are fully aware of the Transformation Agenda and its purpose and progress. Communications should include examples of completed projects together with the efficiencies gained. | Medium October 2020 | |
| Transformation Agenda – January 20 | Councillors, Managers and Staff should be encouraged to provide feedback and comments regarding the Transformation Agenda as it develops and becomes embedded into both BDC and NEDDC. These communications should be acknowledged and progress reported back to the both the individual making the comment and more generally authority wide, this could be carried out within the Extranet environment. | Medium October 2020 | |

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| Transformation Agenda – January 20 | Management should consider supplementing and improving the Extranet facilities and web pages to provide improved communication with Members and staff concerning the purpose, progress and adoption of Transformation ideas across both authorities. | Medium October 2020 | |
| Main Accounting & Budgetary Control – January 2020 | Legal – Through the Constitutional Review Process, align the Budget and Policy Framework Rules (Page 129, para 4.3.6) and Financial Regulations (page 146, Para 4.7.2 (7)) in relation to the authorisation of virements. | Low May 2020 | |
| Housing Repairs (Voids) – April 2020 | The Operational Repairs Manager should periodically review the completion of property documentation to ensure that a comprehensive management trail of information is consistently provided. | Low April 2020 | The paper based documents will be superseded with electronic forms as part of Open Housing / Total Mobile project during 2020/21 |
| Housing Repairs (Voids) – April 2020 | The Operational Repairs Manager should periodically review the completion of | Medium | The Recharge information will be collected electronically during void pre-inspections |

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------|
| | recharge information on property documentation and the timeliness of raising recharges to ensure that the costs of repair associated with cases of neglect or wilful damage caused by previous tenancies is fully and promptly recovered. | April 2020 | utilising Total Mobile as part of the Open Housing project during 2020/21. |
| Housing Repairs (Voids) – April 2020 | As the Rechargeable Works Policy is dated 2013, it is considered that it should be reviewed and updated where required. | Low August 2020 | |
| Housing Repairs (Voids) – April 2020 | Notional rent loss details relating to void properties based on target rent charges should be routinely collated and reported as management information to the Housing Stock Management Group. | Low September 2020 | This will need Housing stock approval |
| Housing Repairs (Voids) – April 2020 | A range of alternative performance measures should be introduced and incorporated within the new Council Vision to ensure that short-term and long-term void performance monitoring is | Medium September 2020 | Housing Management Team have started consultation with Senior Management on new targets. |

| Audit and date audit completed | Recommendation Outstanding | Priority and Original Target Date | Managers Comment |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------|
| | separately established and is soundly based to provide both clarity and transparency. | | |
| Transport – April 2020 | Guidelines should be provided to clarify when a refund can be issued. Staff should be provided with appropriate training to ensure all transactions are accounted for and supported by relevant authorisation. | Low End July 2020 | In progress |

Bolsover District Council

Audit Committee

26th January 2021

Risk Management

Report of the Director of Corporate Resources

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 November 2020.

1 Report Details

Background

- 1.1 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.
- 1.2 The attached 'Risk Management Strategy' (**Appendix 1**) was approved by Executive in March 2020 and includes;
 - 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)
- 1.3 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.

- 1.4 The Strategy details the need for the Council 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.
- 1.5 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.
- 1.6 The Strategy also details the need to establish a 'Risk Management Group'. This should be elected Member led and will include the Councils Senior Risk Officer (SRO), Senior Information Risk Officer (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.
- 1.7 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.
- 1.8 Although approved in March 2020, the COVID-19 pandemic resulted in the Council having to focus much of its efforts on the initial response and later the recovery phase of dealing with the impact upon the organisation, businesses and wider community – as such the implementation of the Risk Management Strategy and action plan has been delayed. The inaugural meeting of the new Risk Management Group was held in late summer 2020.

Update of the Risk Management Group

- 1.9 The newly established group agreed a standard agenda for future meetings which includes the following;
 - Review of the Strategic Risk Register
 - Review of the Operational Service Area Risk Registers
 - Review of the Partnership and Project Risk Registers
 - Identification of new or emerging risks
 - Risk Management Strategy action plan implementation and review
 - Risk related policies, plans and strategies review – across the organisation

- COVID specific issues

1.10 The group have now produced new risk register templates for *Strategic, Operational, Partnership* and *Project* related risks. These are centrally stored and maintained by the group who will review the registers at each of the Risk Management Group meetings. Heads of Service are currently reviewing their Operational Service Area risk registers. Future reports to this committee will include changes/additions/omissions from these registers along with the rationale for these.

1.11 The group reviewed the Council's Strategic Risk Register which has been developed with consideration to the strategic risks which have been identified previously by Members and Officers as part of the Council's risk, service management and quarterly performance arrangements.

1.12 The revised Strategic Risk Register as at November 2020 is set out in **Appendix 2** 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.

1.13 A significant change to note is the inclusion of a COVID-19 specific Strategic Risk - *Failure to address the impact of COVID-19 upon the organisation, local economy and community*. The Consequence of a failure to address this risk include the following;

- Inability to deliver services or service failure
- Loss of income to the Council
- Inability to provide safe working environment resulting in COVID contamination and infection
- Adverse impact on employee health
- Inability to change the Councils 'ways of working' to meet the current challenges
- Increased Cybersecurity and ICT related risk due to remote working increase
- Inability to deliver strategic plans and ambitions
- Inability to support local businesses and employers
- Inability to support the community and in particular vulnerable people

Action to mitigate against this risk include the following;

- The Council plays an active role in the Local Resilience Forum (LRF) and network of sub groups taking part in very frequent meetings and working to effectively and collectively tackle the impact of COVID within the County. This forum includes many agencies across the public sector spectrum including emergency services, NHS, Public Health and others

- The Council has in place effective business continuity and emergency action plans which enabled the effective and efficient deployment and diversification of resources to ensure service resumption, business and community support in the initial response phase of the COVID-19 pandemic
- The Council have in place robust recovery plans

2 Conclusions and Reasons for Recommendation

- 2.1. The Council have in place a robust Risk Management Strategy and action plan which enables the organisation to manage the many and varied risks facing the Council. The approach to managing those risks is applied within decision making processes and is continuous with a structured review process overseen by the Risk Management Group.
- 2.2. The Risk Management Group is elected Member led and includes the Councils Senior Risk Officer (SRO), Senior Information Risk Officer (SIRO), S151 Officer, representation from senior management, Internal Audit and Health and Safety. The group provides a comprehensive oversight of risk throughout the organisation and is now becoming the conduit to and from the whole organisation in terms of risk management. The Risk Management Group is now able to provide risk management reporting to stakeholder groups across the Council and will support the production of the Annual Governance Statement.
- 2.3. The Risk Management Group have made significant progress in ensuring that risk is effectively managed within the organisation. By leading on the development and review of all risk related policies, plans and strategies across the Council, the Risk Management Group will provide consistency of approach and alignment of all service areas in relation to risk management. By overseeing and championing the implementation of the Risk Management Strategy and associated action plan including training 'relating to' and the 'embedding of' an effective risk management culture, the Risk Management Group will be pivotal in the organisations future success.

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 has however included consultation with; SAMT; Audit Committee and Executive previously.

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 November 2020 as set out in **Appendix 2**.

7 Decision Information

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC:</i> <i>Revenue - £75,000</i> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC:</i> <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies | No |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | No |
| Has the relevant Portfolio Holder been informed | Yes |
| District Wards Affected | None directly |
| Links to Corporate Plan priorities or Policy Framework | All |

8. Document Information

| Appendix No | Title |
|-------------|---------------------------------------------|
| 1 | Risk Management Strategy |
| 2 | Strategic Risk Register as at November 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) | |
| Service Area Operational Risk Registers | |
| Report Author | Contact Number |
| Lee Hickin – Director of Corporate Resources | 7218 |



RISK

Management Strategy — 2020

*Managing the
threats, maximising
the opportunities*

Contents

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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



Risk management is a complex subject due in part to the multi-dimensional nature of the risks that we face, the illustration on the previous page 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 Council's **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 or 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 not 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; <ul style="list-style-type: none"> • Death • Unable to function without Government or other agency intervention • Inability to fulfil obligations • 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; <ul style="list-style-type: none"> • Extensive injury, major permanent harm • Significant impact on service objectives • Short to medium term impairment to service capability • 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; <ul style="list-style-type: none"> • Medical treatment required, semi-permanent harm up to 1 year • Short term disruption to service capability • Significant financial loss • Some adverse publicity, needs careful public relations |
| 2 | Minor | Risks where the impact and any associated losses will be minor, for example; <ul style="list-style-type: none"> • First Aid treatment, non-permanent harm up to 1 month • Minor impact on service objectives • Financial loss that can be accommodated at service level • Some public embarrassment, no damage to reputation |
| 1 | Negligible | Risks where the impact and any associated losses will be small, for example; <ul style="list-style-type: none"> • No obvious harm or injury • Negligible impact on service capability • Minimal financial loss • Unlikely to cause any adverse publicity, internal only |

Likelihood Table

| Score | Description | Examples/guidance |
|-------|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5 | Common | <ul style="list-style-type: none"> • Is expected to occur in most circumstances • Perhaps annually or more frequent |
| 4 | Likely | <ul style="list-style-type: none"> • Will probably occur in most circumstances • Not persistent, perhaps once in 3 years |
| 3 | Foreseeable | <ul style="list-style-type: none"> • Could occur in certain circumstances • Perhaps once in 10 years |
| 2 | Occasional | <ul style="list-style-type: none"> • May occur in exceptional circumstances • Not expected to happen, perhaps every 25 years |
| 1 | Freak event | <ul style="list-style-type: none"> • Is never likely to happen or no knowledge of this happening before • 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 E.G. Insurance, Outsource, Partnerships | Treat E.G. Mitigation, Likelihood & Consequence | Tolerate Understand and live with the risk | Terminate Avoid the risk, 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 E.G. Joint Venture, Design and Build Contract | Enhance E.G. Action, Likelihood & Consequence | Accept Understand and accept 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

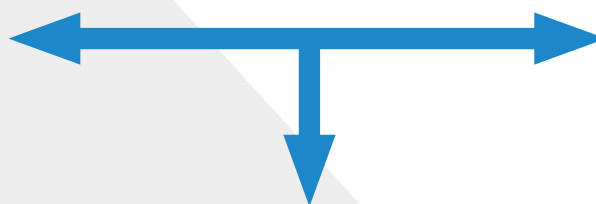
Risk appetite for local authorities on the whole will most likely be lower than that of many other organisations due in part to the regulatory nature of most of its services and because of its stewardship obligations for public resources. It is however, increasingly important for the Council to identify 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 on the previous page 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 Council's 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 Council's 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 | <ul style="list-style-type: none"> • Support and promote an effective risk management culture • Understand the strategic risks that the Council faces and how these risks are being managed • Consider the risks associated with recommendations put forward in reports |
| Executive | <ul style="list-style-type: none"> • Provide leadership on risk management within the Council • Monitor the Council's risk management arrangements • Assess the risks in Cabinet reports and provide challenge where necessary particularly in relation to key decisions |
| Audit Committee | <ul style="list-style-type: none"> • Overseeing all aspects of risk management, governance and internal control • Provide guidance and oversight to the management of risk and challenge the effectiveness of arrangements • To seek assurance for the Council that risk management is being properly undertaken |
| Scrutiny | <ul style="list-style-type: none"> • In their role of scrutinising decisions taken by Executive, Scrutiny Members will ensure that associated risks have been taken into account • Identifying potential risks that may not have been previously identified |
| Chief Executive | <ul style="list-style-type: none"> • Leads on the wider Corporate Governance arrangements of which Risk Management is a part • Overall responsibility for ensuring that strategic risks are effectively managed within the Council |
| Senior Risk Officer (SRO) | <ul style="list-style-type: none"> • Raising the profile of risk management • Promoting the benefits of risk management • Promoting the accountability and responsibility of all staff • Embedding risk management throughout all levels of the Council |
| Senior Information Risk Owner (SIRO) | <ul style="list-style-type: none"> • Manage information risk from a business perspective • Establish an effective information governance framework • Ensure compliance with regulatory, statutory and organisational information security policies and standards |
| Section 151 Officer | <ul style="list-style-type: none"> • To assist with the development and implementation of the strategy and resourcing required to deliver the Council's objectives sustainably and in the public interest • To ensure opportunities and risks are fully considered and aligned to the Council's financial strategy • Leads on the promotion of good financial management by the whole organisation |
| Risk Management Group | <ul style="list-style-type: none"> • 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 • 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 • To be responsible for risk management reporting to stakeholder groups • To review and support the development of all risk related policies, plans and strategies • To oversee the implementation of the Risk Management Strategy |
| Directors and Heads of Service | <ul style="list-style-type: none"> • To review the content of the strategic risk register at least quarterly • To allocate sufficient resources to address strategic and operational risks • To identify emerging risks and address them through the risk management arrangements • 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 • Escalate when necessary |
| Service Managers | <ul style="list-style-type: none"> • To implement the risk management strategy and arrangements within their service area • To review the content of their operational risk register at least quarterly and provide assurance to stakeholders that risks are being effectively managed • To identify emerging operational risks and address them through the risk management arrangements • Escalate when necessary |
| Project / Partnership Leads | <ul style="list-style-type: none"> • To ensure that the risks associated with the project / partnership are identified and managed in line with the risk management arrangements • To review the content of their project/partnership risk register regularly depending upon the project/partnership this could be weekly • To identify emerging project/partnership risks and address them through the risk management arrangements • Escalate when necessary |
| Internal Audit | <ul style="list-style-type: none"> • Audit the risk management process • Assess the adequacy of the arrangements • Provide assurance to officers and elected Members on the effectiveness of the processes and arrangements • Be guided by the risk registers in terms of the annual audit plan - areas of greatest risk = greatest need for assurance |
| All Staff | <ul style="list-style-type: none"> • To adhere to the risk management strategy and arrangements • Report emerging or new threats and opportunities to their manager • 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

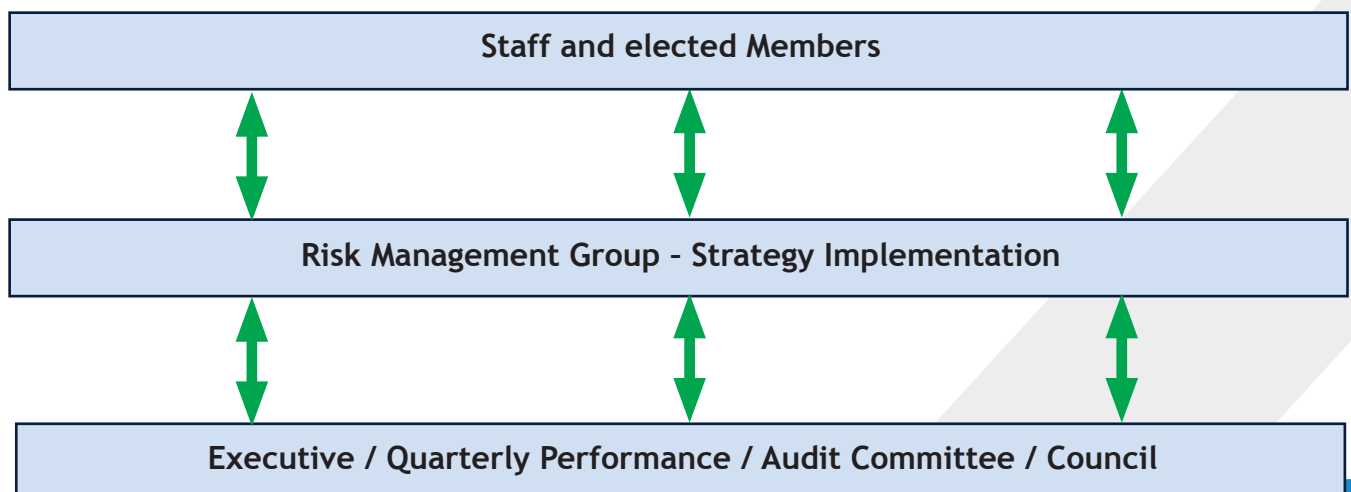
Risk Categorisation



Risk Management Process



Training & Development Roles & Responsibilities



Action Plan

Appendix 1

| Ref: | Action | Responsibility | Target Date |
|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------|
| RMS1 | Establish Risk Management Group; representation; draft Terms of Reference; schedule of meetings | JSD - People | Mar 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 | <ul style="list-style-type: none"> • Profile of safeguarding is poor • Staff and members do not know what safeguarding is and their role within it • Staff and members do not know how to spot the signs • Staff and members do not know how to report it and to who? • Lack of public confidence in Council policies plans and staff • Reputational damage • Potential significant harm to individuals resulting from abuse and neglect of Children and/or Adults at Risk possibly leading to personal harm, injury and death | <ul style="list-style-type: none"> • The Council has in place up to date policies for safeguarding both Children and 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 • 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 • Staff recognised as appropriate to do, are DBS checked • All staff receive mandatory safeguarding training • Safeguarding is widely promoted and embedded throughout the organisation with all staff being issued with a wallet sized 'safeguarding quick reference guide' which details what to look out for and what to do • The Council has an internal safeguarding group which meets quarterly which has representation from all service areas of the Council • The Council host and Chair the Countywide Derbyshire Districts Safeguarding Leads Sub Group (DDSLSG) of the Derby and Derbyshire Safeguarding Childrens Partnership (DDSCP) and Derbyshire Safeguarding Adults Board (DSAB) | 10 Medium | <ul style="list-style-type: none"> • 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 • 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 |



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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STRATEGIC RISK REGISTER As of November 2020

| Area Of Risk (Reference / Date) | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned / When By Date | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------|----------------------------------------------------------------|-----------------------------|
| STR1 Government Legislation / Parliamentary uncertainty / impact of Brexit / adverse external economic climate has an accelerating impact on Council (poor financial settlement), or upon the local economy, to which Council is unable to adopt an appropriate change of Strategic direction. | | <ul style="list-style-type: none"> • Unable to deliver a package of services that meet changing local needs and aspirations. • Reduced influence over delivery of local services. • Unable to effectively support local communities. • Increased demands on Council services at a time when Council resource base is reducing. | | | <ul style="list-style-type: none"> • The Council is outward looking and actively works to understand proposed changes and the approaches that might be adopted to mitigate any adverse impacts of these. • The Council has effective political and managerial (governance) arrangements in place to manage change. • Appropriate levels of financial reserves / investment funding are maintained to fund strategic shifts in service delivery. • Effective engagement with staff to ensure they embrace necessary change. | | | | |
| STR1 | 16/11/20 | Inherent Risk Score (Likelihood x Impact) | 4x4 | 16 | Residual Risk Score (Likelihood x Impact) | 3x4 | 12 | Risk Owner / Lead Officer | SAMT / Political Leadership |

| Area Of Risk (Reference / Date) | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned / When By Date | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| STR2 Failure to deliver a balanced budget in line with the MTFP, at a time when the Council's reserves are limited to 'adequate' levels | | <ul style="list-style-type: none"> Impact upon ability to deliver current level of services. Unable to resource acceptable levels of service. Significant adverse reputational impact. | | | <ul style="list-style-type: none"> The Council has effective financial and wider management arrangements in place to ensure budget / service delivery arrangements are robust. The current MTFP indicates challenging but manageable savings targets. A key risk is that under 'localism' there is less certainty concerning income (NNDR, NHB). The Council has 'adequate' financial reserves in place to cushion against any loss of income for a period of at least one financial year. | | | Revised budgets for 2020/21 have been updated as at 23/10/20 and they are balanced for general fund and the HRA. Work on the MTFP for 2021/22 onwards is underway and will be reported to Members in February 2021. | |
| STR2 | 16/11/20 | Inherent Risk Score (Likelihood x Impact) | 4x4 | 16 | Residual Risk Score (Likelihood x Impact) | 3x4 | 12 | Risk Owner / Lead Officer | Political Leadership / S151 Officer/ SAMT |
| STR3 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 | | <ul style="list-style-type: none"> A significant service failure associated with a major impact on the local community, leading to a wider detrimental corporate impact. Deterioration in services to the public, potentially a major initial impact upon a local resident or a group of local residents. | | | <ul style="list-style-type: none"> The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed. The Council has a Performance Management Framework in place to help ensure that services are delivered in line with good practice | | | | |

| Area Of Risk (Reference / Date) | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned / When By Date | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------|----------------------------------------------------------------|------|
| <p>arise from services – inc Data Protection – failing to adhere to best practice. Resulting in a potential impact upon the Council's ability to secure its corporate objectives. Given the efficiency measures that have been introduced to date this is considered to be an increasing issue for the Council.</p> | | <ul style="list-style-type: none"> Significant staff and financial resources required to resolve position, impacting on other services. A major service has its operating capacity significantly impact and is required to introduce major reform in its approach to service delivery | | | <p>and industry standards. Ongoing monitoring and regular reporting will help ensure that any emerging issues re service performance are effectively identified and resolved at the earliest possible opportunity</p> | | | | |
| STR3 | 16/11/20 | Inherent Risk Score (Likelihood x Impact) | 3x5 | 15 | Residual Risk Score (Likelihood x Impact) | 2x5 | 10 | Risk Owner / Lead Officer | SAMT |
| <p>STR4 It becomes increasingly difficult to recruit to key posts or to replace key staff who leave (for example Environmental Health Officers). Staff morale is adversely affected by as a result of pace of change, tightening financial circumstances or external circumstances.</p> | | <ul style="list-style-type: none"> Deterioration in services to the public. Increasing inefficiencies in service provision. Weakening of Internal Control arrangements. Increased pressure on other members of staff. | | | <ul style="list-style-type: none"> The Council has effective communication and working with staff as validated by securing 'silver' accreditation at IIP. There is sufficient funding to bring in agency staff where required to maintain service performance. At this stage the problematic areas are those where there are national 'shortages'. In the majority of areas it has proved possible to recruit appropriate replacement staff. Appropriate training budgets are in place to ensure that staff receive | | | | |

| Area Of Risk (Reference / Date) | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned / When By Date | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----------|----------------------------------------------------------------|------|
| | | | | | necessary training to maintain service quality. <ul style="list-style-type: none"> The Council will look at introducing appropriate apprenticeship / training schemes in order to develop employees to meet our requirements | | | | |
| STR4 | 16/11/20 | Inherent Risk Score (Likelihood x Impact) | 3x4 | 12 | Residual Risk Score (Likelihood x Impact) | 2x4 | 8 | Risk Owner / Lead Officer | SAMT |
| STR5 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 maintaining service quality, which may overstretch our reduced organisational capacity. | | <ul style="list-style-type: none"> New initiatives are not delivered in a cost-effective manner. Failure to maintain / improve services in line with local aspirations. Failure to generate the savings required to balance the budget. Financial savings measures weaken Governance / Internal Control arrangements. Service deterioration / failure arising from capacity issues. | | | <ul style="list-style-type: none"> The Council has effective prioritisation and project management arrangements in place to ensure resources are directed at key objectives. The Council has made efforts to ensure effective use of employees by utilising shared services to protect service resilience, by maintaining appropriate training arrangements and by investing in transformational ICT projects. The Council has a robust performance management framework intended to highlight emerging issues. | | | | |

| Area Of Risk (Reference / Date) | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned / When By Date | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|----------|----------------------------------------------------------------|------|
| STR5 | 16/11/20 | Inherent Risk Score (Likelihood x Impact) | 3x4 | 12 | Residual Risk Score (Likelihood x Impact) | 2x4 | 8 | Risk Owner / Lead Officer | SAMT |
| STR6 Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by flu pandemic, natural disaster (flood), etc. The Council is exposed to cyber crime with a loss of data / systems resulting in a potential inability to provide core services and incurring reputational damage. | | <ul style="list-style-type: none"> Inability of Council to provide services as a consequence of a severe catastrophic external event (e.g. flooding, major terrorist incident, flu pandemic, fire). Failure of IT infrastructure, leading to inability to effectively operate services and to safeguard income streams. Business Continuity Plans prove ineffective in practice | | | <ul style="list-style-type: none"> The Council works in partnership with a range of partners on its Emergency Planning arrangements to ensure that we operate in line with best practice. There is an annual 'desktop' scenario to test officers understanding of the arrangements and that they are fit for purpose in a realistic 'trial' scenario. All sections have Business Continuity plans in place which identify key risks and mitigation. Corporate IT systems have been tested against Industry standards for Business Continuity. The Council works in partnership with a range of other agencies that should be able to provide support in the event of the Council's own procedures failing to be effective. The Council has put in place industry standard measures to minimise the risk of cyber crime. | | | | |

| Area Of Risk (Reference / Date) | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned / When By Date | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------|----------------------------------------------------------------|-----------------------------------|
| STR6 | 16/11/20 | Inherent Risk Score (Likelihood x Impact) | 5x5 | 25 | Residual Risk Score (Likelihood x Impact) | 5x3 | 15 | Risk Owner / Lead Officer | SAMT |
| STR7 Lack of strategic direction from Members / Corporate Management, external partners change Strategic direction | | <ul style="list-style-type: none"> Failure to deliver high quality services which address national and local priorities. Deterioration in Governance Arrangements. Refocus of current services necessary with associated disruption | | | <ul style="list-style-type: none"> There are appropriate structured training arrangements in place for both Members and Officers. The Council is an outward looking organisation where both Members and Officers are encouraged to network with peer groups to ensure a developed awareness of the broader environment within which we operate. | | | | |
| STR7 | 16/11/20 | Inherent Risk Score (Likelihood x Impact) | 3x4 | 12 | Residual Risk Score (Likelihood x Impact) | 2x4 | 8 | Risk Owner / Lead Officer | SAMT / Political Leadership |
| STR8 Governance Arrangements including Performance, Finance and Risk Management need to be maintained in order to continue to operate effectively in a rapidly changing environment. | | <ul style="list-style-type: none"> Adverse Impact upon Service Quality. Failure to deliver high quality services which address national and local priorities. Significant adverse reputational impact | | | <ul style="list-style-type: none"> The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed. The Council has an active Standards and Audit Committee which provide independent review of the Governance arrangements in the Council. The Annual Governance Report sets out an evidence based structured assessment of the | | | | |

| Area Of Risk (Reference / Date) | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned / When By Date | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------|-----------------------------------------------------------------------------|------------------------------------------------|
| | | | | | operation of the Council's governance arrangements. | | | | |
| STR8 | 16/11/20 | Inherent Risk Score (Likelihood x Impact) | 3x4 | 12 | Residual Risk Score (Likelihood x Impact) | 2x4 | 8 | Risk Owner / Lead Officer | S151 Officer / Monitoring Officer / SAMT |
| STR9 HS2 - Without considerable environmental mitigation measures, HS2 will have a significant impact on the visual amenity of the district, disruption to businesses, home owners and communities | | <ul style="list-style-type: none"> Without considerable environmental mitigation measures will have a negative impact on the visual amenity of the district, disruption to businesses, home owners and communities. It also has the potential to sterilise areas of development due to uncertainty. Following the release of the Working Draft Environmental Statement, potential impacts and land take have increased. Therefore the impact score has been adjusted to reflect this. | | | <ul style="list-style-type: none"> Directors and senior management actively engaged with HS2 staff to discuss proactive business mitigation measures. Political leadership working with relevant community groups and agencies lobbying for enhanced mitigation measures. Contributing to the East Midlands HS2 growth strategy and also that we part of the mitigation study | | | Awaiting the outcome of the Government Review and the Integrated Rail Plan. | |
| STR9 | 16/11/20 | Inherent Risk Score (Likelihood x Impact) | 4x5 | 20 | Residual Risk Score (Likelihood x Impact) | 4x5 | 20 | Risk Owner / Lead Officer | SAMT / Political Leadership |

| Area Of Risk (Reference / Date) | Threats / Opportunities | Mitigation / Controls In Place / Actions Undertaken | Potential Further Action / Action Planned / When By Date |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| STR10 Failure to have in place robust, comprehensive and up to date policies and procedures for safeguarding children and vulnerable adults. | <ul style="list-style-type: none"> • Profile of safeguarding is poor • Staff and members do not know what safeguarding is and their role within it • Staff and members do not know how to spot the signs • Staff and members do not know how to report it and to who? • Lack of public confidence in Council policies plans and staff • Reputational damage • Potential significant harm to individuals resulting from abuse and neglect of Children and/or Vulnerable Adults possibly leading to personal harm, injury and death | <ul style="list-style-type: none"> • The Council has in place up to date policies for safeguarding both Children and Vulnerable Adults. These policies are aligned to DCC policies which in turn are in line with legislation, regulation and statutory duties placed on Local Authorities. • The Council has in place and maintain systems of working practice to safeguard children and vulnerable adults at Council activities and those who receive Council services. • Staff recognised as appropriate to do, are DBS/CRB checked • All staff receive mandatory safeguarding training • Safeguarding is widely promoted and embedded throughout the organisation with all staff being issued with a wallet sized 'safeguarding quick reference guide' which details what to look out for and what to do • The Council has an internal safeguarding group which meets quarterly which has representation | |

| Area Of Risk (Reference / Date) | | Threats / Opportunities | | | Mitigation / Controls In Place / Actions Undertaken | | | Potential Further Action / Action Planned / When By Date | |
|---------------------------------------------------------------------------------------------------------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|-----------|----------------------------------------------------------------|-----------------------------------|
| | | | | | <p>from all service areas of the Council.</p> <ul style="list-style-type: none"> The Council host and Chair the Countywide Derbyshire Safeguarding Leads Sub Group of the Derbyshire Safeguarding Childrens Board and Derbyshire Safeguarding Adults Board The Council are represented on both the Derbyshire Safeguarding Children's Board (DSCB) and the Derbyshire Safeguarding Adults Board (DSAB) | | | | |
| STR10 | 16/11/20 | Inherent Risk Score (Likelihood x Impact) | 5x4 | 20 | Residual Risk Score (Likelihood x Impact) | 4x3 | 12 | Risk Owner / Lead Officer | SAMT / Political Leadership |
| STR11 Failure to address the impact of COVID-19 upon the organisation, local economy and community | | <ul style="list-style-type: none"> Inability to deliver services or service failure Loss of income to the Council Inability to provide safe working environment resulting in COVID contamination and infection Adverse impact on employee health Inability to change the Councils 'ways of working' to meet the current challenges | | | <ul style="list-style-type: none"> The Council plays an active role in the Local Resilience Forum (LRF) and network of sub groups taking part in very frequent meetings and working to effectively and collectively tackle the impact of COVID within the County. This forum includes many agencies across the public sector spectrum including emergency services, NHS, Public Health and others (see strategic risk 6 also) The Council has in place effective business continuity and emergency action plans which enabled the | | | | |

| Area Of Risk (Reference / Date) | Threats / Opportunities | Mitigation / Controls In Place / Actions Undertaken | Potential Further Action / Action Planned / When By Date |
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| | <ul style="list-style-type: none"> Increased Cybersecurity and ICT related risk due to remote working increase Inability to deliver strategic plans and ambitions Inability to support local businesses and employers Inability to support the community and in particular vulnerable people | <p>effective and efficient deployment and diversification of resources to ensure service resumption, business and community support in the initial response phase of the COVID-19 pandemic</p> <ul style="list-style-type: none"> The Council have in place robust recovery plans which include the following; Maintaining Financial Control - Development of financial resilience reserves and accessing govt. funding aimed at local authority support, service budget reviews, controlling expenditure, regular fees and charges reviews, furloughing staff as necessary Workplace Safety – Return to work protocols and risk assessments, regular inspection, social distancing plans, protection and hygiene measures, PPE, staff testing, communication plan, staff related policy reviews, training and briefings, recognition of vulnerable employees New Ways of Working – Virtual and remote working capability, digital workforce training, digital inclusion plans, remote and homeworking task group, homeworking policy review, website and online services capability review, managing teams remotely guidance | |

| Area Of Risk (Reference / Date) | Threats / Opportunities | Mitigation / Controls In Place / Actions Undertaken | Potential Further Action / Action Planned / When By Date |
|------------------------------------|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|
| | | <ul style="list-style-type: none"> • ICT and Cybersecurity – Evaluation of remote applications and tools, training and guidance, cybersecurity investment planning • Front Facing Services – Workplace safety as above, public interaction protocols, equipment such as 'sneeze, screens in place and face masks etc, floor markings and signage, social distancing measures, one way systems in facilities and public areas, NHS test and trace registration and materials in place • Strategy and Plans Review – Risk management, Transformation Programme, Digital, Climate Change, People, Growth, Tourism and Leisure are all strategies currently being reviewed • External Recovery Plans – Aimed at the local economy, business support and survival, includes channelling and distribution of business grants, council tax and business rates support, links to other bodies including; LRF Recovery Sub Group, D2N2 Recovery. There is also a key focus on Communities and the Council's engagement and support with them including Parish Councils, voluntary sector and partners at all levels in the restoration and recovery challenge | |

Bolsover District Council

Audit Committee

26th January 2021

Accounting Policies – 2020/21

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 2020/21.

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 policies 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 2020/21.

Accounting Policies

- 1.4 Officers have reviewed and updated where necessary, the existing accounting policies that were agreed for 2019/20. 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 2020/21 are largely unchanged from previous years with only minor changes to aid understanding. However, as the Statement of Accounts for 2020/21 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 2020/21 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 (2019/20).

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 (2020/21). 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

- 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 2020/21 and will therefore influence the presentation and understanding of the financial position of the Council as at 31 March 2021.
- 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 2020/21 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

- 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.

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

5.3 **Human Resources Implications**

There are no Human Resource implications arising from this report.

6 **Recommendations**

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

7 **Decision Information**

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: BDC: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> Please indicate which threshold applies | No |
| Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In) | No |
| Has 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 |

1 Accounting Policies

Notes to the Core Financial Statements

a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year end of 31st March 2021. 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 2020/21, 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 2020/21 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 Financing and Investment Income and Expenditure line in the CIES. 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 2020/21 is 15%, (2019/20 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 three directorates. All services of the Council fall into one of these directorates. The main service areas within each directorate are as follows:

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

Development - Economic Development; Planning; Housing Revenue Account - Repairs; Property and Estates.

Environment and Enforcement - Housing Strategy; Environmental Health; Community Safety; Housing Revenue Account - Management; Streetscene; Emergency Planning.

Bolsover District Council

Audit Committee

26th January 2021

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| Audit Committee Work Programme 2020/21 |
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Report of the Head of Finance and Resources

This report is public

Purpose of the Report

- To enable the Committee to consider an appropriate work programme for the municipal year 2020/21.

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 The Audit Committee is likely to deal with the following issues:
- Ensuring the Council has a comprehensive set of procedures and rules, such as financial regulations.
 - Discussing the work of internal and external audit and other inspection agencies as appropriate.
 - Risk management policies and procedures.
 - Reviewing and approving the Statement of Accounts.
 - Reviewing and approving the Annual Governance Statement.
- 1.3 A work programme ensures the Committee has a structure in place to enable the systematic consideration of the issues it has responsibility for.
- 1.4 The proposed 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 2020/21.

3 Consultation and Equality Impact

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

4 Alternative Options and Reasons for Rejection

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

5 Implications

5.1 Finance and Risk Implications

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

There are no financial implications arising from this report.

5.2 Legal Implications including Data Protection

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

5.3 Human Resources Implications

There are no human resource implications arising from this report.

6 Recommendations

- 6.1 That the Committee notes and endorses the Audit Committee work programme for 2020/21 as set out in **Appendix 1**.

7 Decision Information

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

| | |
|---------------------------------------------------------------|---------------|
| District Wards Affected | None directly |
| Links to Corporate Plan priorities or Policy Framework | All |

8 **Document Information**

| Appendix No | Title |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| 1 | Audit Committee work programme 2020/21 |
| 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 | 01246 242458 |

Appendix 1

Audit Committee Work Programme 2020/21

| <u>Meeting Date</u> | <u>Item</u> |
|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 15 th September 2020 | <ul style="list-style-type: none"> • Strategic risk register and partnership arrangements • Implementation of Internal Audit recommendations • Internal Audit consortium 2019/20, Annual Report • Report of Internal Audit – Summary of progress on the internal audit plan • Review of the Internal Audit Charter • External review of internal audit • Report to those charged with Governance – Audit completion report • BDC Statement of Accounts 2019/20 • Audit Committee proposed work programme 2020/21 |
| 24 th November 2020 MEETING CANCELLED DUE TO COVID-19 RESTRICTIONS | <ul style="list-style-type: none"> • Strategic risk register and partnership arrangements • Report of Internal Audit – Summary of progress on the internal audit plan • Fighting Fraud and Corruption Locally • Audit Committee – Self assessment for effectiveness • Report of External Auditor – Annual Audit letter 2019/20 |
| 26 th January 2021 | <ul style="list-style-type: none"> • Strategic risk register and partnership arrangements |

| | |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <ul style="list-style-type: none"> • Report of Internal Audit – Summary of progress on the internal audit plan • Report of External Auditor – Audit Strategy Memorandum 2021/22 • Accounting policies 2020/21 |
| 27 th April 2021 | <ul style="list-style-type: none"> • Strategic risk register and partnership arrangements • Report of Internal Audit – Summary of progress on the internal audit plan • Report of Internal Audit – Internal Audit Plan from 2021/22 • Report of External Auditor – Progress report and technical update • Annual Governance Statement and Local Code of Corporate Governance |
| May 2021 | <ul style="list-style-type: none"> • Strategic risk register and partnership arrangements • Implementation of Internal Audit recommendations • Internal Audit Consortium 2020/21 – Annual Report |