

Public Document Pack



**North East
Derbyshire**
District Council

Our Ref:

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Date: Tuesday, 19 November 2019

To: **All Members of the Audit & Corporate Governance Scrutiny Committee**

You are summoned to attend a meeting of the Audit & Corporate Governance Scrutiny Committee to be held on **Wednesday, 27 November 2019 at 10.00 am in the Chamber 1**. District Council Offices, 2013 Mill Lane, Wingerworth, Chesterfield, S42 6NG.

Yours sincerely

A handwritten signature in cursive script, reading 'Sarah Steuberg'.

Joint Head of Corporate Governance and Monitoring Officer

Members of the Committee

Conservative Group	Labour Group	Liberal Democrat Group
Cllr W Armitage Cllr M Foster Cllr A Hutchinson Cllr K Tait Cllr M Roe	Cllr N Barker Cllr P R Kerry Cllr G Morley	Cllr R Shipman

A G E N D A

1 Apologies for Absence

2 Declarations of Interest

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

3 Minutes of Last Meeting (Pages 4 - 10)

To approve as a correct record and the Chair to sign the Minutes of the Audit and Corporate Governance Scrutiny Committee held on 11 September 2019.

4 ICT Discussion

Verbal update in relation to ICT provision and charging

5 Audit & Corporate Governance Scrutiny Committee Progress Report - November 2019 (Pages 11 - 24)

Report of the External Auditor (Mazars)

Reports of the Internal Audit Consortium Manager

- a. Internal Audit Consortium Summary of Progress on the annual Internal Audit Plan 2019/2020 (Pages 25 - 30)
- b. Implementation of Internal Audit Recommendations (Pages 31 - 46)

Reports of the Head of Resources & Revenues and S151 Officer

- a. Medium Term Financial Plan - Budget Monitoring Quarter 2 - July to September 2019 (Pages 47 - 62)
- b. Medium Term Financial Plan - Revised Budgets 2019/20 (Pages 63 - 80)
- c. Strategic Risk Register and Partnership arrangements (Pages 81 - 95)
- d. Corporate Debt - Quarter 2 (Pages 96 - 101)
- e. Evaluate the Effectiveness of the Audit and Corporate Governance Scrutiny Committee (Pages 102 - 196)

8 Corporate Plan Targets Performance Update - July to September (Q2 - 2019/2020) (Pages 197 - 210)

Report of the Information, Engagement and Performance Manager

9 Corporate Work Programme 2019/20 (Pages 211 - 215)

Report of the Joint Head of Corporate Governance and Monitoring Officer

10 Urgent Items

To consider any other items which the Chair is of the opinion should be considered as a matter of urgency.



***We speak
your language***

Polish
Mówimy Twoim językiem

French
Nous parlons votre langue

Spanish
***Hablamos su
idioma***

Slovak
***Rozprávame Vaším
jazykom***

Chinese
我们会说你的语言

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AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE

MINUTES OF MEETING HELD ON 11 SEPTEMBER 2019

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AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE

MINUTES OF MEETING HELD ON 11 SEPTEMBER 2019

Present:

Councillor M Foster (Chair)
Councillor K Tait (Vice Chair)

Councillor N Barker
“ P R Kerry

Councillor G Morley
“ M Roe

Also Present:

S Ainsworth	-	Legal Officer
J Dethick	-	Chief Accountant
L Hickin	-	Strategic Director – People – (for Min No 231 only)
S Kitching	-	Client Director – Arlingclose Ltd - (for Min No 230 only)
P Roberts	-	Assistant Client Director – Arlingclose Ltd - (for Min No 230 only)
L Roebuck	-	Senior Legal Officer
J Williams	-	Internal Audit Consortium Manager
S Veerman	-	Overview and Scrutiny Manager – (for Min No 238 only)
D Stanton	-	Governance Officer

227 Apologies for Absence

Apologies for absence had been received from Councillors W Armitage and R Shipman.

228 Declarations of Interest

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

No declarations of interest were declared at this meeting.

229 Change of Order of Agenda Items

The Chair, in agreement with other Members of the Committee, changed the order of the agenda items as set out within these Minutes.

230 Treasury Management and Investment Opportunities

The Committee received a presentation from Arlingclose Ltd. The presentation outlined a number of key themes that related to Treasury Management, including a recap on what Treasury Management was, the role of elected Members, NEDDC's plans and the UK and International economic outlook.

Members commented that the economic outlook outlined in the presentation was relatively positive, and enquired about the recent economic forecast given by the Governor of the Bank of England, which was deemed contradictory.

The Committee discussed the Council's current investment risk strategy, and how it compared to that of other local authorities. Members noted that the risk was spread across a variety of institutions, and as such the Council was in a good position. It was stated that the Council's debt had been managed well and that the authority had a sound financial base.

Members raised concerns in regards to the fluctuating housing market, and the house price disparities within North East Derbyshire. The Committee heard that the District was not an unusual area in regards to house prices, and that the national housing market in general was fairly dysfunctional.

The impacts of the UK leaving the EU without a withdrawal agreement and how prepared the Authority was in mitigating the risks of such an outcome was discussed. It was stated that the Council was well prepared for such an event.

The Committee considered the use of registered providers, and the need to diversify the Council's social and financial investments.

Members thanked the Client Director and Assistant Client Director from Arlingclose Ltd for attending the meeting.

RESOLVED – That the presentation be noted.

231 Minutes of Last Meeting

Further to Minute No 158, the Strategic Director – People was present at the meeting to discuss ICT arrangements, as the Joint Head of Partnerships and Transformation was unable to attend the meeting. Members had a number of questions which would be forwarded to the Joint Head of Partnerships and Transformation so that a full written response could be provided for Members consideration.

- Society is going more cashless by the day. Do our services need to reflect that?
- I am concerned about the development of systems (building our infrastructure). When a system is internally developed, strict practices of writing code needs to be followed otherwise problems will be encountered down the line when a developer leaves.
- Wages in IT are going through the roof over the last 12 months. What does the next 3-5 years look like?
- What level of staff retention do we have?

- How big will the ICT team become in 3-5 years?
- Where are the new ideas coming from? With regards to the gap between the staff not understanding what is possible and IT department not understanding what the company needs.
- Is our online service good enough? Does it need more marketing to enable us to save money.
- What capital expenditure is needed over the next 3-5 years?
- How are the charges split between the three Councils?
- Are we paying our fair share, is this still cost effective over just having our own service? When did we last have a look at this?
- I am concerned over the commercial activity of the service. What commercial contracts do we currently have and which ones are we currently seeking? I would like the details of the contracts. How much have we invested in them? How many staff do we employ to work them (hours or £s)? What profit or surplus is made or forecast? And over what period of time? There may be more questions around this area.

The Officer stated that digitalisation was the trend, and as a result the Council needed to ensure that spending satisfied the demand for such services. The Strategic Director referred to a recent government paper around digital efficiencies, which concluded that without the digitalisations that had occurred over the past 10 years or so, spending to provide the same or similar services would cost in the region of £1.8 billion more to provide today.

The Committee heard that this move to digitalisation had resulted in significant increased financial efficiencies and was driven by market demands. The Strategic Director – People, used Bolsover District Council's Leisure Service as an example, where the use of technology and digitalisation had brought forward many efficiencies, which had included, but not limited to the following; virtual fitness instructors had increased the number of fitness classes available, and the use of online access that had resulted in customers being able to book classes at their convenience. This had changed the staff profile but significantly increased efficiency and profitability.

Members noted that the Joint ICT provisions had started in 2010 and that the concept was based on increased efficiency by pooling people and their skills. It was stated that there was 28.6 full time Joint ICT staff that serviced 375 employees at Bolsover District Council, 251 employees at Derbyshire Dales Council and 572 staff at North East Derbyshire District Council and Rykneld Homes. The Strategic Director – People explained that this allowed the Organisation to maximise the potential of the department, in line with the objectives of the Transformation Programme.

The Strategic Director explained the changing nature of consumer behaviour and expectations, such as cashless payments and the ability to access services and products online. It was stated that there was a need to diversify and create more options for consumers, whilst still maintaining traditional channels of communication. The Officer reiterated that it was up to Members to determine the political dimension, and for officers to present and strengthen the business case.

Members who were present at the Joint ICT Committee commented that there could have been greater detail in the presentation that the Committee received, including a breakdown of the budget, income received from external work, recorded user units, and a track on programme hours on specific projects.

The Committee heard that a report had recently been taken to Cabinet that outlined a service review of the Organisation, including a restructure of the ICT department. It was stated that a review had not been undertaken since 2010.

Members thanked the Officer for attending the meeting.

The Officer then left the meeting.

RESOLVED –

- (1) That the Minutes of the meeting of the Audit and Corporate Governance Scrutiny Committee held on 25 July 2019 be approved as a correct record and signed by the Chair.
- (2) That the update be noted.

232 Annual Audit Letter 2018/19

A representative from the Council's External Auditor, Mazars, was unable to attend the meeting, and therefore the Section 151 Officer presented the report. The report outlined the Annual Audit Letter in respect of 2018/19 which had been prepared by Mazars for consideration by Members.

RESOLVED – That the report be noted.

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

The Internal Audit Consortium Manager presented a report that outlined the progress made by the Audit Consortium in respect of the 2019/20 Internal Audit Plan.

RESOLVED – That the update be noted.

234 The Role of the Head of Internal Audit

The Committee considered a report from the Internal Audit Consortium Manager, which notified Members of an updated publication by The Chartered Institute of Public Finance and Accountancy (CIPFA), which was CIPFA's statement on the role of the Head of Internal Audit in Public Service Organisations.

RESOLVED – That the Audit & Corporate Governance Scrutiny Committee endorses the arrangements and processes set out in the report as meeting the requirements of the CIPFA statement on the Role of the Head of Internal Audit.

235 Medium Term Financial Plan – Budget Monitoring Report Quarter 1 – April to June 2019

The Chief Accountant and S151 Officer presented a report that outlined a summary of the Budget Monitoring for the first quarter of 2019/20, which was presented to Cabinet at its meeting on 5 September 2019.

Members discussed section 1.11 of the report, in relation to the next national financial settlement which was due to commence from April 2020. It was stated that a number of factors could have an impact on the Council's financial position, including the loss of the New Homes Bonus, a reset of the Business Rates Baseline, and the Fair Funding Review.

RESOLVED – That the update be noted.

236 Risk Management Update, Partnership Working and Strategic Risk Register

The Chief Accountant and S151 Officer presented a report which outlined the current position regarding Risk Management and Partnership Arrangements and the Strategic Risk Register as at 31 March 2019.

Members heard that a Brexit Working Party was meeting regularly to discuss the potential risks of the UK's exit from the European Union. It was stated that the Strategic Director – Place was the lead officer for this Working Party.

RESOLVED – That the report be noted.

237 Corporate Plan Targets Performance Update – April to June (Q1 – 2019/2020)

The Committee received a report that outlined the Quarter 1 outturns for the Corporate Plan 2019-2020 targets.

RESOLVED – That progress against the Corporate Plan 2019-2020 targets be noted.

238 Work Programme

The Committee received a report that would enable the Audit and Corporate Governance Scrutiny Committee to consider an appropriate Work Programme for the municipal year 2019/2020.

The Overview and Scrutiny Manager was present to discuss how Scrutiny could undertake review work including the creation of a Task and Finish Groups. Members agreed that they would like to undertake a review, to be focused on the Right to Buy service. The Overview and Scrutiny Manager agreed to arrange a meeting to scope the review and draft a timetable.

The Working Party would be comprised of the following Members:-

- Councillor Anthony Hutchinson;
- Councillor Kevin Tait;

- Councillor Mark Foster;
- Councillor Gerry Morley; and
- Councillor Nigel Barker.

RESOLVED – That:-

- (1) The Committee endorsed the Audit and Corporate Governance Scrutiny Committee Work Programme for the 2019/2020 municipal year as set out in Appendix 1 to the report.
- (2) That a Working Party be created to review the Right to Buy Service.

239 Urgent Business

There was no urgent business to be considered at this meeting.

240 Exclusion of the Public

RESOLVED - That the public be excluded from the meeting during the discussion of the following item of business to avoid the disclosure to them of exempt information as defined in Paragraph 3 Part 1 of Schedule 12A to the Local Government Act 1972 (as amended by the Local Government (Access to Information)(Variation) Order 2006).

241 Email from a Parish Council

The Committee heard that there had been a request for an audit review to be undertaken by the Council for Killamarsh Sports Centre. The Chair had agreed to authorise this request.

(Paragraph 3)

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

27 November 2019

<p>Audit and Corporate Governance Scrutiny Committee – Progress Report – November 2019</p>

Report of the Council's External Auditor Mazars

This report is public

Purpose of the Report

- For the Audit and Corporate Governance Scrutiny Committee to consider the Progress Report attached as **Appendix 1** which has been prepared by Mazars for consideration by elected Members of the Council.

1 Report Details

- 1.1 That the Audit and Corporate Governance Scrutiny Committee consider the attached report from the Council's External Auditors (Mazars).

2 Conclusions and Reasons for Recommendation

- 2.1 To ensure that the Audit and Corporate Governance Scrutiny 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 the report.

4 Alternative Options and Reasons for Rejection

- 4.1 Not applicable.

5 Implications

5.1 Finance and Risk Implications

There are no additional financial implications arising out of 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 the Audit and Corporate Governance Scrutiny Committee considers and notes the attached report from the Council's External Auditors, Mazars.

7 Decision Information

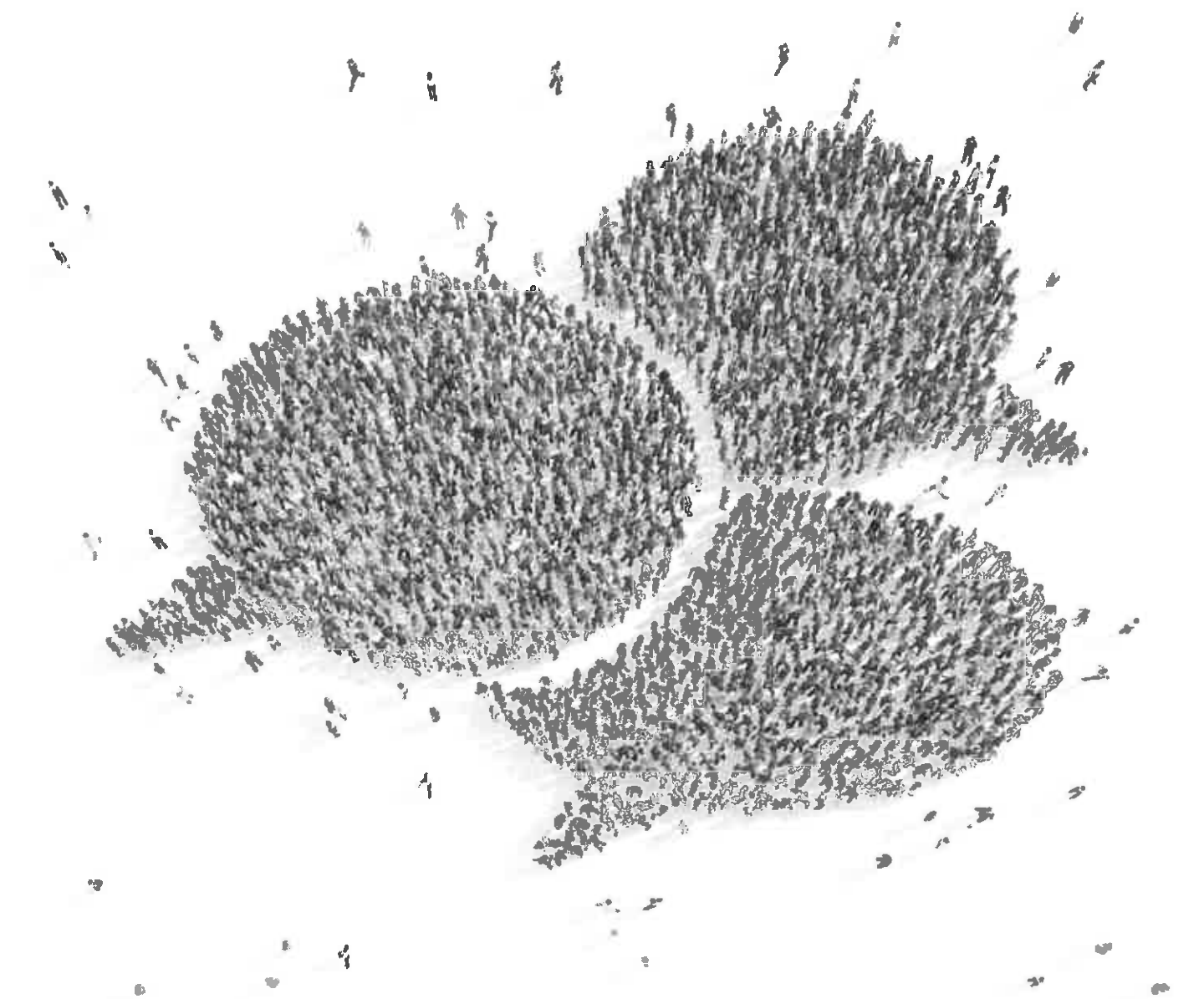
Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: BDC: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/> 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	Progress Report
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)	
<div style="border: 1px solid black; height: 20px; width: 100%;"></div>	
Report Author	Contact Number
Jayne Dethick – Head of Resources and Revenues and Section 151 Officer	7078

Audit and Corporate Governance Scrutiny Committee Progress Report – November 2019

North East Derbyshire District Council
Year ending 31 March 2020





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Audit Progress

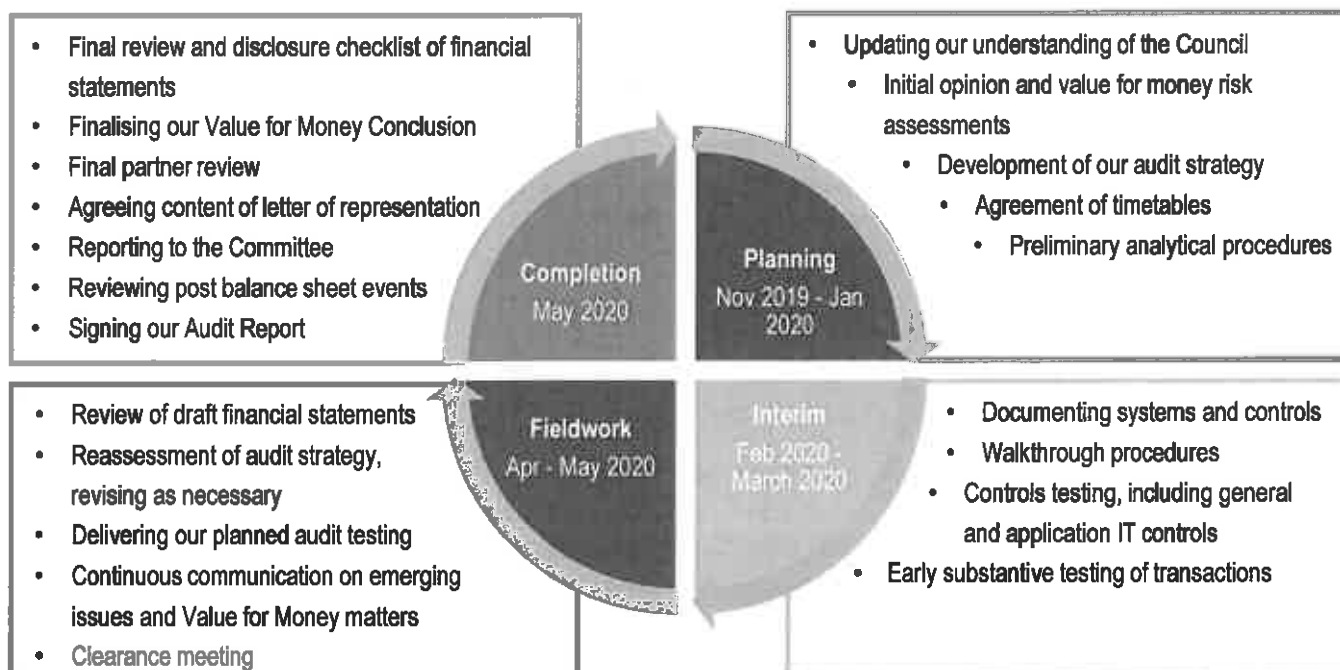
Appendix A – Technical Update

1. AUDIT PROGRESS

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

Audit of the accounts and Value for Money Conclusion

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



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

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

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

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

Non Audit Work

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

2. NATIONAL PUBLICATIONS

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

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

2. NATIONAL PUBLICATIONS

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

2. NATIONAL PUBLICATIONS

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

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

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

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

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

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

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

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

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

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

This report sets out:

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

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

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

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

2. NATIONAL PUBLICATIONS

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

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

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

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

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

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

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

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

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

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

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

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

2. NATIONAL PUBLICATIONS

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

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

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

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

The consultation is open until 22 November 2019.

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

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

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

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

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

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

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

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

2. NATIONAL PUBLICATIONS

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

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

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

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

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

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

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

7. CIPFA launches new Financial Management Code, October 2019

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

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

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

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

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

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

2. NATIONAL PUBLICATIONS

8. Outcomes from the Counter Fraud Fund, July 2019

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

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

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

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

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

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

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

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

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

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

2. NATIONAL PUBLICATIONS

11. Review of local authority financial reporting and external audit

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

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

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

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

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

12. Local audit quality forum June 2019 slides

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

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

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

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

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

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

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

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North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

27 November 2019

<p>Internal Audit Consortium Summary of Progress on the Annual Internal Audit Plan 2019/20</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 Audit Consortium in respect of the 2019/20 Internal Audit Plan. The report includes a summary of Internal Audit Reports issued since the last meeting of the committee.

1 Report Details

- 1.1 The 2019/20 Consortium Audit Plan for North East Derbyshire was agreed at the Audit and Corporate Governance Scrutiny Committee on the 18 April 2019. The Consortium Legal Agreement in paragraph 9.3 requires that the Head of the Internal Audit Consortium (HIAC) or his or her nominee will report to the Audit Committee of each Council on progress made in relation to their annual Audit Plan.
- 1.2 Attached, as Appendix 2, is a summary of reports issued between the 24 August 2019 and the 8th November 2019. 5 reports have been issued, 4 with substantial assurance and 1 with reasonable assurance.
- 1.3 Reports are issued as Drafts with five working days being allowed for the submission of any factual changes, after which time the report is designated as a Final Report. Fifteen working days are allowed for the return of the Implementation Plan.
- 1.4 Appendix 1 shows the assurance levels used and the associated definitions. Also detailed in Appendix 1 is the control levels used prior to April 2017 for comparison purposes in order that the direction of travel of an audited area can be monitored.
- 1.5 Appendix 2 shows for each report a summary of the level of assurance that can be given in respect of the audit area examined and the number of recommendations made / agreed where a full response has been received. This provides an overall assessment of the system's ability to meet its objectives and manage risk.

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

1.7 Audits currently in progress:-

- Transformation Agenda
- Industrial Property Rents
- Treasury Management
- Refuse Collection
- Taxi Licensing
- Business Centres (Coney Green and Midway)

2 Conclusions and Reasons for Recommendation

2.1 To inform Members of progress on the Internal Audit Plan for 2019/20 and the Audit Reports issued.

2.2 To comply with the requirements of the Public Sector Internal Audit Standards.

3 Consultation and Equality Impact

3.1 None.

4 Alternative Options and Reasons for Rejection

4.1 None.

5 Implications

5.1 Finance and Risk Implications

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

5.2 Legal Implications including Data Protection

5.2.1 None.

5.3 Human Resources Implications

5.3.1 None.

6 Recommendation

6.1 That the report be noted.

7 Decision Information

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: BDC: <i>Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> NEDDC: <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 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	Definition of assurance and control levels
2	Summary of Internal Audit reports issued in respect of the 2019/20 Internal Audit Plan 24th August 2019 to the 8th November 2019
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Jenny Williams Internal Audit Consortium Manager	01246 217547

Current Assurance Levels

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.

:

Control levels that were used until end March 17

Control Level	Definition
Good	A few minor recommendations (if any).
Satisfactory	Minimal risk; a few areas identified where changes would be beneficial.
Marginal	A number of areas have been identified for improvement.
Unsatisfactory	Unacceptable risks identified, changes should be made.
Unsound	Major risks identified; fundamental improvements are required.

NORTH EAST DERBYSHIRE DISTRICT COUNCIL

Appendix 2

Internal Audit Consortium - Report to Audit and Corporate Governance Scrutiny Committee

Summary of Internal Audit Reports Issued 24th August 2019 – 8th November 2019

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Previous Control Level	Date		Number of Recommendations	
					Report Issued	Response Due	Made	Accepted
N007	Health and Safety	To ensure that Legislation is complied with, training takes place and adequate records are maintained.	Substantial	Limited	5/9/19	26/9/19	3 (1M 2L)	3
N008	Leisure Services (Financial)	To review controls over income and banking, accuracy of fees charged, debt collection, issue of leisure passes, contract bookings and events and sales.	Substantial	Substantial	5/9/19	26/9/19	5L	5
N009	Payroll	To ensure that payroll payments are paid promptly and accurately, reconciliations are carried out, prompt payment to external bodies etc.	Substantial	Substantial	30/10/19	20/11/19	1L	Note 1

Report Ref No.	Report Title	Scope and Objectives	Assurance Provided	Previous Control Level	Date		Number of Recommendations	
					Report Issued	Response Due	Made	Accepted
N010	Gifts and Hospitality	To ensure that there are transparent processes in place with regards to the declaration of gifts and hospitality	Reasonable	Satisfactory	30/10/19	20/11/19	2M 7L	9
N011	Capital Accounting	Capital programme approved, policies in place, access to fixed asset register controlled, controls over additions and disposals of assets.	Substantial	N/A	1/11/19	22/11/19	0	0

Note 1 – response not due at time of writing report

H = High Priority

M = Medium Priority

L = Low Priority

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

27 November 2019

Implementation of Internal Audit Recommendations

Report of the Internal Audit Consortium Manager

This report is public

Purpose of the Report

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

1 Report Details

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

2 Conclusions and Reasons for Recommendation

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

3 Consultation and Equality Impact

- 3.1 None

4 Alternative Options and Reasons for Rejection

4.1 Not Applicable

5 Implications

5.1 Finance and Risk Implications

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

5.2 Legal Implications including Data Protection

5.2.1 None

5.3 Human Resources Implications

5.3.1 None

6 Recommendation

6.1 That the report be noted.

7 Decision Information

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

8 Document Information

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

JENNY WILLIAMS

INTERNAL AUDIT CONSORTIUM MANAGER

North East Derbyshire District Council

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

Recommendations Made	2016/17	2017/18	2018/19	2019/20 to date
Number of High Priority	18	0	5	0
Number of Medium Priority	24	35	47	10
Number of Low priority	22	36	82	29
Total	64	71	134	39
Recommendations Implemented	62	70	98	9
High Recommendations Outstanding	0	0	0	0
Medium Recommendations Outstanding	1	1	9	1
Low Recommendations Outstanding	1	0	17	0
Not overdue yet	0	0	14	29
Total Overdue Recommendations	2	1	22	1
Percentage due implemented	97%	99%	82%	90%

North East Derbyshire

Report	Audit	Directorate	Conclusion	Recommendations			Total	Not	Overdue	Implemented
Ref				High	Medium	Low		Overdue		
2016/17										
N003	Discretionary Housing Payments	People	Satisfactory	1	1	1	3		2	1
Total									2	1
2017/18										
B020	Food Hygiene Enforcement	Growth	Reasonable		4	3	7		1	6
Total				0	4	3	7		1	6

2018/19

Report	Audit	Directorate	Conclusion	Recommendations			Total	Not	Overdue	Implemented
Ref				High	Medium	Low		Overdue		
N004	Money Laundering	People	Reasonable		2	4	6		4	2
N006	Property Services Compliance	Place	Reasonable		3	1	4		1	3
N007	Transport follow up part 2	People	Reasonable		1	1	2		1	1
N015	Pest Control	Place	Reasonable	1	1	2	4	1		3
N016	FOI/Env Regs	People	Substantial		1	3	4	1		3
N018	Coney Green Business Centre	Place	Reasonable		4	3	7	1		6

Report Ref	Audit	Directorate	Conclusion	H	M	L		Not Overdue	Overdue	Implemented
N020	Expenses & Allowances	People	Reasonable		5	2	7		3	4
N023	Housing Benefits	People	Substantial		1	3	4	2		2
N024	Premises & Personal Licences	Place	Reasonable			7	7	3	3	1
N025	Sundry Debtors	People	Substantial		1	1	2		2	
N026	Planning Fees	Place	Substantial		1	3	4		4	
N027	Fly Tipping	Place	Reasonable	1	3	10	14	2		12
N028	JVC Northwood Group	Place	Substantial			4	4	2		2
N029	Section 106	Place	Reasonable		2	2	4		4	
N030	Disaster Recovery	People	Substantial			1	1	1		
N031	Insurance	People	Substantial			3	3	1		2
Total				2	25	50	77	14	22	41

2019/20

Report Ref	Audit	Directorate	Conclusion	Recommendations			Total	Not Overdue	Overdue	Implemented
				High	Medium	Low				
N001	Procurement	People	Reasonable		3	3	6	5	1	
N002	Cash and Bank	People	Substantial			1	1			1
N003	Business Continuity & Emergency Planning	Place	Substantial		1	4	5	2		3
N004	Corporate Targets & Local Indicators	People	Reasonable		2	1	3	2		1
N005	Safeguarding	People	Reasonable		1	2	3	1		2
N006	National Non Domestic Rates	People	Substantial			3	3	2		1

N007	Health and Safety	People	Substantial		1	2	3	3		
N008	Leisure Services (Financial)	People	Substantial			5	5	4		1
N009	Payroll	People	Substantial			1	1	1		
N010	Gifts and Hospitality	People	Reasonable		2	7	9	9		
N011	Capital Accounting	People	Substantial				0			0
Total					10	29	39	29	1	9

NEDDC Outstanding Recommendations as at 8th November 2019

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment
Discretionary Housing Payments – July 16	The DHP policy is reviewed as per section 4.1 of the 2013 policy and in line with Cabinet minute 679	Medium March 17	The DHP policy will be reviewed. This will be completed by 30th September 2019.
Discretionary Housing Payments – July 16	A copy of the DHP policy is included within the Corporate Policies section of the internal NEDDC website.	Low	When the policy has been reviewed the new version will be placed on the website. The policy review is due to be completed by 30th September 2019.
Food Hygiene Enforcement – November 17	<p>An overarching quality assurance process for food safety should be documented with consideration of FSA requirements and, as a minimum, an overview of the following areas:</p> <ul style="list-style-type: none"> - Overview of the work programme process to ensure all premises are timely inspected and reviewed, - Monitoring progress of the planned intervention programme, 	Medium Not Specified	Due to other work priorities this work process is still ongoing and will be progressed during 2018/19 / 2019/20.

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment
	<ul style="list-style-type: none"> - Peer review frequencies and requirements, - Adhoc reviews of inspections by EHO's to ensure availability and full completion of inspection / audit paperwork - Consideration of internal performance indicators including issuing of 'stickers' within 14 days. 		
Money Laundering – June 18	Once the Anti-Money Laundering policy has been updated and approved (as per R1 and R2 above), staff with key roles should be made fully aware of their associated responsibilities and ensure compliance with and awareness of the policy going forward. The policy should also be made available to wider employees via the intranet.	Medium December 18	Once policy is approved this recommendation will be Completed
Money Laundering – June 18	Reporting of Money Laundering incidents and limits of cash that	Low	Once policy is approved this recommendation will be Completed

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment
	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.	December 18	
Money Laundering – June 18	A training programme/matrix to be documented in line with the new regulations (previous training date, records for scope and effectiveness of training) and rolled out for employee's who are working in the "potential risk areas" to keep them updated and refresh their knowledge.	Low December 18	Once policy is approved this recommendation will be Completed
Money Laundering – June 18	The Anti-Money Laundering Compliance Officer (as recommended as part of R2) should undertake a periodic review of payments received into NEDDC and BDC sites. This should identify any regular	Low December 18	Once policy is approved this recommendation will be Completed

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment
	or large payments of cash with a view to highlighting and reporting any potential instances of money laundering.		
Property Services Compliance – July 18	<p>Once the new FM contract is operational a mechanism should be introduced to review and update contract / specification content on an annual basis. This 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. 	Medium 31 st March 19	This will be implemented once the overall contract is in place

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment
Transport Follow up part 2 – July 18	That a formal decision is made about progressing the interface between the Civica Financial and Tranman systems, potentially creating back office efficiencies	Low March 19	Ongoing work is being undertaken to establish reporting which is linked to the interfaces, subject to which, if interfaces cannot be effectively established without incurring onerous costs from Civica – Tranman, the decision will be taken to not utilise the facility.
Expenses and Allowances – January 19	As soon as the system is running as expected, liaise with HR to update the HR21 Guidance to reflect the actual procedures for inputting and claiming mileage and expenses across both authorities. Furthermore, to ensure transparency and clarity, consider using this guidance as the one comprehensive policy/guidance for all staff members and managers to refer to when making and/or authorising a claim	Low April 19	Work with HR to review guidance. Mileage policy updated awaiting Council approval.
Expenses and Allowances – January 19	Ensure designated managers who are on the authorised signatory list are authorising claims	Medium April 19	HR21 is set up in a way that ensures that only assigned managers approve claims. The only variation to this is if a manager uses the “manager absent” function. We will work to definitively express that appropriate managers (of equivalent or greater status)

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment
			should be appointed in the absence of a manager. Within revised HR21 guidance. Included within revised policy.
Expenses and Allowances – January 19	Ensure mileage and expense claims are in line with policy by reviewing the description/details	Medium April 19	A report will be written to review / spot check the claims. There is an expectation that the claims are checked by managers but by completing the second check we should catch any anomalies. Re – iterated in policy. Checks being made.
Premises & Personal Licences – March 19	Update the Council's websites to display current legislation information	Low 1 st September 19	Officers are reviewing the content on the Council's websites with a view to improving the content, legislative information and access to make on-line applications
Premises & Personal Licences – March 19	Notifications to appropriate persons, determinations and issuing of licences should be in line with legislative timescales	Low 1 st September 19	The procedures used by officers to process applications will be updated to include a requirement to notify applicants of the outcome of their applications in accordance with the statutory requirements and action codes will be added to the Uniform database system for monitoring purposes
Premises & Personal Licences – March 19	Increase monitoring to ensure the retention of evidence is adequate and complies with legislative requirements	Low 1 st September 19	Additional background reporting will be undertaken to ensure that evidence is retained to identify compliance with the legislation
Sundry Debtors – April 19	System procedures should be enhanced to reflect how the timeliness of raising invoices will be monitored and how a consistent and targeted approach to the recovery of	Low August 19	

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment
	aged debt (based on age, value and type of debt) is determined.		
Sundry Debtors – April 19	To reduce the risk of accounts being set to the 'Decide' stage of the recovery process for excessive periods, the Sundry Debtors team should apply an appropriate time limit to allow originating departments the opportunity to open communications with their customers. Upon time limit expiry, recovery action should be escalated to ensure debts do not become uncollectible.	Medium July 19	
Planning Fees – April 19	Consideration be given to updating PERFORM Planning performance indicators in line with the HM GOV November 2018 update.	Low April 19	This comment is noted. Consideration is being given to this recommendation and discussion being undertaken with the performance team to clarify the matter in future reporting. The requirements of the document is currently being undertaken but greater clarity may be appropriate.
Planning Fees – April 19	A report of UNIFORM applications with no fee present is considered to ensure reasons are valid.	Low 30 th June 2019	Finance to provide the necessary information or Planning to populate and ensure reconciliation
Planning Fees – April 19	Uniform reconciliation to CIVICA is reconsidered to ensure accuracy of the Uniform	Medium	Finance to provide the necessary information or Planning to populate and ensure reconciliation

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment
	database in respect of initial/extra fees and refunds {RESTATED from previous audit]	30 th June 2019	
Planning Fees – April 19	Refund information should be recorded as a complete record within Uniform	Low April 19	The process is in place through training and work notes. Refresher training to be undertaken.
Section 106 – April 19	The Legal and Planning teams should formalise a consistent approach to the process of issuing reminders and or carrying out legal enforcement to applicants who have not paid over section 106 contributions due. A structured timetable should be introduced into S106 procedures for clarity.	Medium 30 th September 19	
Section 106 – April 19	To ensure that S106 contributions due can be collected promptly, a consistent approach to recording when Planning Officer site monitoring visits have been undertaken should be introduced	Medium 30 th June 19	The relevant notes will be updated to ensure site monitoring takes place every 6 months to coincide with official officer updates and reports to planning Committee
Section 106 – April 19	A representative of the Legal team should attend each S106 monitoring group meeting. When unable to attend, a	Low 30 th June 19	

Audit and date audit completed	Recommendation Outstanding	Priority and Original Target Date	Managers Comment
	progress report should be submitted in advance of the meeting.		
Section 106 – April 19	Subject to Member approval, S106 reporting to Planning committee is changed from quarterly to 6 monthly.	Low 30 th June 19	A report has been prepared for Planning Committee to consider this issue
Procurement	Partially Re-stated: Tidy the information on the Work Programme and ensure the data is uniformed so that the new Contract Register's 'pulls through' meaningful information ready to be published on the Council's websites quarterly	Medium July 19	Work has commenced and almost completed following agreed format with Audit. Now tidying up in readiness to publish on website for BDC & NEDDC July 2019

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

27 November 2019

Medium Term Financial Plan – Budget Monitoring Report

Quarter 2 – July – September 2019

Report of the Head of Finance and Resources and Section 151 Officer

This report is public

Purpose of the Report

- The purpose of this report is to present to Members of the Audit and Corporate Governance Scrutiny Committee a summary of the Budget Monitoring for the second quarter of 2019/20 i.e. July to September 2019 which will be presented to Cabinet at its meeting on 5 December 2019.

1 Report Details

- 1.1 To update Members of the Audit and Corporate Governance Scrutiny Committee concerning the current position in respect of quarter two July to September 2019 Budget Monitoring.
- 1.2 The report to be taken to the Council's Cabinet on 5 December 2019 is accordingly brought to the Audit and Corporate Governance Scrutiny Committee for its consideration.

2 Conclusions and Reasons for Recommendation

- 2.1 To ensure that the Audit and Corporate Governance Scrutiny Committee are kept informed of the latest position concerning Budget Monitoring.

3 Consultation and Equality Impact

- 3.1 These are detailed in the attached report as **Appendix 1**.

4 Alternative Options and Reasons for Rejection

- 4.1 These are detailed in the attached report.

5 Implications

5.1 Finance and Risk Implications

These are detailed in the attached report.

5.2 **Legal Implications including Data Protection**

These are detailed in the attached report.

5.3 **Human Resources Implications**

These are detailed in the attached report.

6 **Recommendations**

- 6.1 That the Audit and Corporate Governance Scrutiny Committee note the report concerning the Council's Budget Monitoring for Quarter 2 2019/20 and make any comments that they believe to be appropriate concerning these matters.

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	Cabinet Report 5 December 2019 Medium Term financial Plan - Budget Monitoring – Quarter 2 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
Jayne Dethick – Head of Finance and Revenues and Section 151 Officer	01246 217078

North East Derbyshire District Council

Cabinet

5 December 2019

Medium Term Financial Plan – Budget Monitoring Quarter 2

Report of Councillor P Parkin, Portfolio Holder for Finance

This report is public

Purpose of the Report

To update Cabinet on the financial position of the Council following the second quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account and the Capital Programme.

1 Report Details

- 1.1 The following sections of this report will consider the position as at 30 September 2019 in respect of the General Fund, Housing Revenue Account (HRA) and Capital Programme.

General Fund

- 1.2 The position in respect of the General Fund as at 30 September 2019 is summarised in **Appendix 1** attached to this report. The appendix shows the Original Budget that was set in February 2019, together with the Current Budget compared to the 30 September position. The main variances against the current budget are shown in Table 1 below with variances at service level shown in **Appendix 2**.

Table 1

	£000
Vacancy management	(277)
Less those removed from current budget – Q1	277
Vehicle related costs	(52)
Higher than profiled spend on supplies and services	155
Additional income from rents/services	(231)
Net cost of services	(128)
Investment property income	(59)
Variance (underspend) at 30 September 2019	(187)

- 1.3 Savings from vacancies identified as part of the revised budget process have been removed from the budget at quarter 2. Income is higher than forecast at quarter 2, this mainly relates to leisure and planning fees and this will be adjusted as part of the revised budget process. There are a number of minor variances across supplies and services, these are also being scrutinised as part of the revised budget process.

Financial Reserves

1.4 Transfers from Earmarked Reserves

The use of earmarked reserves in 2019/20 to date is £0.351m comprising:

- £0.265m from revenue grants
- £0.085m from earmarked reserves

1.5 Transfers to Earmarked Reserves

There have been transfers to earmarked reserves during 2019/20 totalling £0.237m. This comprises:

- £0.211m in revenue grants received.
- £0.026m into earmarked reserves.

- 1.6 The Invest to Save Reserve currently has a balance £4.204m. Commitments already made against this reserve for 2019/20 and future years amount to £1.321m leaving £2.883m currently uncommitted.
- 1.7 There are ongoing commitments against the earmarked reserves which will continue in 2019/20 and future years. Should any of the reserves prove unnecessary in the light of subsequent events then they will be moved back into unallocated General Fund resources.

General Fund Medium Term Financial Plan

- 1.8 The Medium Term Financial Plan (MTFP) of February 2019 identifies budget shortfalls throughout the life of the plan. Table 2 below shows the adjusted position after quarter one.
- 1.9 A line by line budget review is currently being undertaken to inform the revised budget and MTFP. Ongoing expenditure budget savings or additional income levels are being removed to ease the current budget shortfalls in the current MTFP.

Table 2

	2019/20 Budget £000	2020/21 Budget £000	2021/22 Budget £000	2022/23 Budget £000
Budget Shortfall - MTFP Feb 2019	871	1,769	2,399	2,783
Efficiencies identified to date (removed from budget)	(378)	(522)	(101)	(101)
Current Budget Shortfall	493	1,247	2,298	2,682
Efficiencies Identified <u>not yet realised</u>	(323)	(323)	(323)	(323)
Target Budget Shortfall	170	924	1,975	2,359

- 1.10 As identified in Table 2 above, £0.378m has so far been identified towards the original 2019/20 savings target of £0.871m. This has mainly been identified from vacancies on the establishment and these have been removed from the current budget. The savings are not reflected in future years as they only become ongoing at the point a post is disestablished.
- 1.11 The risk that the Council's financial position is forecast to worsen considerably when the next national financial settlement commences remains. However, the planned spending review for 2020/21 will not take place until at least 2021/22 moving the impact on a year. The main benefit is the continuation of New Homes Bonus for a further year which generates an estimated £0.421m in additional grant for 2020/21.
- 1.12 The timing of the impending General Election means that the 2020/21 settlement is expected to now be delayed until after a new government is formed meaning the data will be received much later than originally planned. Should it not be available for the budget setting process, the MTFP will be set based on what we can prudently expect the outcomes to be.

Housing Revenue Account (HRA)

- 1.13 The position in respect of the Housing Revenue Account (HRA) as at 30 September 2019 is summarised in **Appendix 3** attached to this report
- 1.14 The HRA quarter 2 position shows a number of relatively minor income variances, which overall is £0.007m higher than budget. The overall expenditure position is £0.084m below the current budget. This is the result of client side vacancy savings and premises insurance payments still to be made.

Capital Investment Programme

- 1.15 Details of the capital expenditure incurred up to 30 September 2019 on a scheme by scheme basis is provided in **Appendix 4**.

1.16 HRA Schemes

The housing investment programme is £0.897m under forecast at the end of quarter 2. This is down to work profiling within the programme. Spend is expected to remain in line with the annual forecast over the remainder of the year.

1.17 General Fund

The General Fund element of the Capital Programme is relatively limited and at the end of quarter 2 there are no variances to report.

Capital Resources

- 1.18 The Council has sufficient capital resources in place to finance the actual expenditure and commitments of the capital programme at the end of the second quarter. As in previous years, officers will continue to work to generate capital receipts in order to assist in securing the funding for the capital programme in future financial years.

Treasury Management

- 1.19 The treasury management function covers the borrowing and investment of Council funds. All transactions are conducted in accordance with the Council's approved strategy and the CIPFA Code of Practice. Good treasury management plays an important role in the sound financial management of the Council's resources.
- 1.20 The Council approved the 2019/20 Treasury Management Strategy at its meeting in February 2019 and work is currently being undertaken to review the Council's investment options within this strategy. **Appendix 5** identifies the Treasury Management activity undertaken during the first quarter of 2019/20.

2 Conclusions and Reasons for Recommendations

- 2.1 The report summarises the financial position of the Council following the first quarter's budget monitoring exercise for the General Fund, the Housing Revenue Account, Capital Programme and Treasury management activity.

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 This report is concerned with monitoring the position against the Council's previously approved budget. Accordingly the report does not set out any options where a decision is required by Members.

5 Implications

5.1 Finance and Risk Implications

5.1.1 Financial issues and implications are covered in the relevant sections throughout this report.

5.1.2 The Council has a risk management strategy and associated framework in place and the Strategic Risk Register is regularly reviewed through the Council's performance management framework. Strategic risks along with the mitigation in place to ensure such risks are manageable are reported to the Audit and Corporate Governance Scrutiny Committee at each meeting. The risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register and is therefore closely monitored through these practices and reporting processes.

5.2 Legal Implications including Data Protection

5.2.1 There are no legal issues arising directly from this report.

5.3 Human Resources Implications

5.3.1 There are no human resource implications arising directly from this report.

6 Recommendations

6.1 That Cabinet notes the monitoring position of the General Fund at the end of the second quarter as detailed in Appendices 1 and 2.

6.2 That Cabinet notes the monitoring position of the Housing Revenue Account (HRA), the Capital Programme and Treasury Management activity at the end of the second quarter as detailed in Appendices 3-5.

7 Decision Information

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

Has the relevant Portfolio Holder been informed	Yes
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	General Fund Summary
2	General Fund Detail
3	Housing Revenue Account
4	Capital Programme
5	Treasury Management Activity
Background Papers	
Report Author	Contact Number
Jayne Dethick - Chief Accountant	01246 217078

AGIN ?? (CAB 0905) – MTFP/AJD

GENERAL FUND SUMMARY 2019/20 Quarter 2

APPENDIX 1

	1 Original Budget 2019/20 £	2 Current Budget 2019/20 £	3 Profiled Qtr 2 Budget £	4 Actuals with Accruals £	5 Variance £
Place	2,676,408	2,653,968	1,838,057	1,541,699	(296,358)
People	9,416,884	9,441,484	4,937,983	4,828,917	(109,066)
Bad Debt Provisions	40,000	40,000	20,000	20,000	0
Recharges to Capital and HRA	(527,500)	(527,500)	(263,750)	(263,750)	0
Savings Target	(770,023)	(770,023)	(770,023)	(492,306)	277,717
Net Cost of Services	10,835,769	10,837,929	5,762,267	5,634,560	(127,707)
Investment Properties	(429,780)	(435,780)	(194,575)	(254,171)	(59,596)
Interest	(6,920)	(6,920)	(3,462)	(3,593)	(131)
Debt Repayment Minimum Revenue Provision	256,000	256,000	128,000	128,000	0
Parish Precepts	3,139,643	3,139,643	1,605,026	1,605,026	0
Parish Council Tax Support Grant	70,382	70,382	70,382	70,382	0
Transfer To Earmarked Reserves	78,555	237,463	237,463	237,463	0
Transfer From Earmarked Reserves	(195,814)	(350,882)	(350,882)	(350,882)	0
Total Spending Requirement	13,747,835	13,747,835	7,254,219	7,066,785	(187,434)
Business Rates	(3,650,000)	(3,650,000)	(1,825,000)	(1,825,000)	0
Revenue Support Grant	0	0	0	0	0
New Homes Bonus	(926,218)	(926,218)	(463,109)	(463,109)	0
Collection Fund (Surplus)/Deficit - Council Tax	(160,812)	(160,812)	(80,406)	(80,406)	0
NEDDC Council Tax Requirement	(9,010,805)	(9,010,805)	(4,505,403)	(4,505,403)	0
Parish Council Council Tax Requirement			0	0	0
Council Tax Requirement	(13,747,835)	(13,747,835)	(6,873,918)	(6,873,918)	0

		Original Budget 2019/20 £	Current Budget 2019/20 £	Profiled Qtr 2 Budget £	Actuals with Accruals 2019/20 £	Variance 2019/20 £
<u>Place Directorate</u>						
Joint Strategic Director Place						
1141	Joint Chief Executive - Place	39,390	39,390	19,704	19,704	0
5700	Joint Strategic Director - Place	53,346	53,346	26,722	26,722	0
5706	HS2	0	0	0	0	0
Joint Head of Service Housing and Community Safety						
1218	Community Safety	38,243	38,243	15,215	13,956	(1,259)
1220	Joint Head of Service - Housing & Comm Safety	3,594	3,594	1,798	0	(1,798)
1283	Emergency Planning	16,000	16,000	(18,968)	(14,968)	4,000
3400	Environmental Protection	79,009	79,009	40,540	41,363	823
3401	Food, Health & Safety	115,557	115,557	57,824	49,783	(8,041)
3402	Environmental Enforcement	92,713	92,713	46,394	66,431	20,037
3403	Community Outreach	0	0	18	0	(18)
3404	Licensing	(19,200)	(19,200)	(4,581)	(9,250)	(4,669)
3405	Pollution	86,908	86,908	43,496	28,649	(14,847)
3407	Pest Control	22,393	22,393	11,215	22,553	11,338
3408	Home Improvement	35,603	35,603	17,814	11,152	(6,662)
3409	EH Technical Support & Management	187,095	183,095	91,639	94,297	2,658
3410	Private Sector Housing	55,468	55,468	27,754	18,837	(8,917)
3419	Destitute Funerals	3,600	3,600	1,798	1,877	79
3420	Fly Tipping	3,000	3,000	1,500	0	(1,500)
3421	VARM (NE) Discretionary Fund	9,000	9,000	4,500	0	(4,500)
3422	Building Resilience Programme (Shirebrook)	0	0	7	0	(7)
3423	Air Quality Feasibility Study	0	0	0	(0)	(0)
3424	HMO IT Project	0	0	0	0	0
3726	Works In Default	0	0	2	3,827	3,825
3755	PRS Access Fund	0	0	6,708	6,708	0
Joint Head of Service Property and Commercial Services						
3135	Drainage	16,329	16,329	8,182	7,491	(691)
3172	Engineers	92,692	92,692	46,376	41,332	(5,044)
3241	Car Parks	40,555	40,555	34,779	36,072	1,293
3247	Street Names/Lights	11,000	11,000	5,504	2,929	(2,575)
3249	Footpath Orders	(200)	(200)	(96)	(1,539)	(1,443)
3265	Dams And Fishing Ponds	1,800	1,800	908	2,520	1,612
3281	Clay Cross Depot	(1,405)	(1,405)	2,941	1,661	(1,280)
3283	Northwood	0	0	37,010	37,010	0
3811	Closed Circuit Television	420	420	210	(220)	(430)
4412	Midway Business Centre	(54,970)	(54,970)	(26,904)	(26,110)	794
4425	Coney Green Business Centre	(41,329)	(41,329)	2,851	(2,816)	(5,667)
4523	Estates Administration	276,662	276,662	138,191	127,977	(10,214)
5204	Jnt HoS Property & Commercial Services	37,711	37,711	18,856	18,856	(0)
5205	Mill Lane	232,929	232,929	160,604	165,501	4,897
5206	Mill Lane Land	0	0	0	0	0
5209	Facilities Management	125,460	131,460	99,864	99,864	(0)
5210	Pioneer House	(31,311)	(31,311)	(7,269)	(4,476)	2,793
Joint Head of Service Planning						
4111	Applications And Advice	(372,400)	(372,400)	(199,466)	(413,933)	(214,467)
4113	Planning Appeals	0	0	329,811	329,811	0
4116	Planning Policy	267,997	267,997	134,058	122,220	(11,838)
4119	Neighbourhood Planning Grant	0	0	27,524	27,524	0
4311	Environmental Conservation	19,800	19,800	15,402	11,153	(4,249)
4511	Jnt Hos Planning	37,088	37,088	18,554	18,563	9
4513	Planning	546,730	546,730	306,328	295,671	(10,657)
4515	Building Control	58,000	58,000	29,012	29,012	0
Joint Head of Service Economic Development						
3165	Housing Options Team	211,911	211,911	106,004	90,570	(15,434)
3740	Strategic Housing	85,136	85,136	39,604	38,473	(1,131)
3747	Homeless Temp Accommodation	0	0	0	2,121	2,121
3748	Homelessness Grant	(6,555)	(6,555)	(21,045)	(20,674)	371
3749	Empty Properties	2,000	2,000	1,002	1,822	820
3750	Housing Growth	(1,627)	(1,627)	7,868	7,868	(0)
3751	Care Call System	(15,000)	(15,000)	(7,512)	0	7,512
3754	Rough Sleepers	0	0	14,837	14,837	(0)
4211	Tourism Promotions	18,500	18,500	14,502	8,000	(6,502)
4238	Working Communities Strategy	78,554	78,554	39,293	36,077	(3,216)
4240	Project X	0	0	2	0	(2)

		Original Budget 2019/20 £	Current Budget 2019/20 £	Profiled Qtr 2 Budget £	Actuals with Accruals 2019/20 £	Variance 2019/20 £
4351	Alliance	3,350	3,350	1,678	0	(1,678)
4512	Growth Agenda	18,095	18,095	9,052	2,482	(6,570)
4516	Clay Cross OPE	0	0	0	0	0
4517	Economic Development	155,194	155,194	77,632	70,866	(6,766)
4520	Dronfield Eckington OPE	0	0	(40,000)	(40,000)	0
4526	Sheffield City Region	4,000	4,000	2,002	3,966	1,964
5750	Jnt HoS Economic Development	37,573	37,573	18,809	17,577	(1,232)
Total for Place Directorate		2,676,408	2,678,408	1,838,057	1,541,699	(296,358)
People Directorate						
Joint Strategic Director People						
1142	Joint Chief Executive (People)	81,166	81,166	43,175	42,557	(618)
4500	Joint Strategic Director - People	62,529	62,529	31,267	24,868	(6,399)
5720	Supporting PA's	82,855	82,855	41,450	41,165	(285)
Joint Head of Service Partnerships and Transformation						
1331	Strategic Partnerships	156,147	156,147	78,107	70,584	(7,523)
1332	Strategic Partnerships Projects	0	0	0	150	150
1333	Healthy North East Derbyshire	27,754	27,754	(149,157)	(149,157)	(0)
1334	NE Derbyshire Business Growth Fund	0	0	8,265	8,265	(0)
1335	Big Local	0	0	15	0	(15)
4352	LEADER	0	0	310	0	(310)
4443	Elderly Peoples Clubs	4,000	4,000	4,000	1,359	(2,641)
4561	Leisure Centre Management	121,786	121,786	85,597	83,063	(2,534)
4600	Jnt Hos Partnerships & Transformation	33,932	33,932	16,966	16,974	8
4720	Sportivate	0	0	0	0	0
4722	Physical Inactivity Fund	0	0	0	0	0
4723	Generation Games	1,226	1,226	653	653	0
4724	Walking into Communities	0	11,000	(19,555)	(19,555)	0
4726	Walking for Health	0	0	3	0	(3)
4727	Five 60	0	0	2	0	(2)
4731	Promotion Of Recreation And Leisure	29,684	29,684	14,861	14,464	(397)
4732	Schools Promotion	2,423	2,423	1,215	(1,589)	(2,804)
4736	Derbyshire Sports Forum	15,500	15,500	7,752	7,752	0
4742	Arts Development	2,800	2,800	2,800	2,524	(276)
5215	Telephones	32,100	32,100	16,056	14,295	(1,761)
5216	Mobile Phones and Ipads	16,665	16,665	8,333	8,159	(174)
5221	Customer Services	367,902	367,902	213,613	213,014	(599)
5223	Franking Machine	59,960	59,960	29,990	29,261	(729)
5701	Joint ICT Service	0	0	5,122	(24,253)	(29,375)
5734	NEDDC ICT Service	546,315	546,315	319,073	319,945	872
5737	Corporate Printing Costs	18,035	18,035	9,022	5,706	(3,316)
5785	Contributions	132,835	132,835	132,835	135,753	2,918
5825	Concessionary Bus Passes	(9,940)	(9,940)	(4,970)	(769)	4,201
8441	Eckington Swimming Pool	191,926	191,926	113,074	102,078	(10,996)
8445	Eckington Pool Cafe	2,422	2,422	1,213	(4,247)	(5,460)
8451	Dronfield Sports Centre	(25,336)	(25,336)	31,348	31,814	466
8455	Dronfield Café	0	0	0	719	719
8461	Sharley Park Sports Centre	310,898	310,898	201,899	204,976	3,077
8465	Sharley Park Sports Centre Outdoor	(2,150)	(2,150)	(1,078)	(1,854)	(776)
Joint Head of Service Corporate Governance						
1121	Member's Services	439,868	439,868	221,788	213,351	(8,437)
1123	Chair's Expenses	11,520	11,520	5,764	2,484	(3,281)
1131	District Elections	160,000	160,000	160,000	186,935	26,935
1133	Parish Elections	0	0	0	0	0
1135	European Elections	0	0	0	0	0
1137	Parliamentary Elections	0	0	0	0	0
1139	County Council Elections	0	0	0	0	0
1231	Corporate Training	45,980	49,980	25,000	16,425	(8,575)
1255	Strategy and Performance	100,901	100,901	51,289	53,730	2,441
1256	Corporate Consultation	14,265	14,265	7,156	7,595	438
1259	Corporate Groups	10,000	10,000	5,002	(455)	(5,457)
1311	Human Resources	188,672	188,672	95,896	96,012	116
1312	Payroll	53,019	53,019	26,522	31,378	4,856
1313	Work Well Team	2,200	2,200	1,102	163	(939)
1315	Design & Print	92,910	92,910	46,757	46,205	(552)
1321	Communications & Marketing	81,241	81,241	40,637	40,230	(407)
1323	NEDDC News	27,000	27,000	13,504	8,140	(5,364)

		Original Budget 2019/20 £	Current Budget 2019/20 £	Profiled 2 Budget £	Qtr Accruals 2019/20 £	Variance 2019/20 £
1329	Corporate Web Site	520	520	264	386	122
3121	Health & Safety Advisor	40,778	40,778	20,394	23,825	3,431
5249	Twinning Expenses	7,100	7,100	3,554	0	(3,554)
5273	Brass Band Concert	2,700	2,700	1,350	(1,378)	(2,728)
5313	Register Of Electors	165,356	165,356	88,332	90,079	1,747
5321	Jnt HoS Corporate Governance	39,550	39,550	19,776	19,343	(433)
5353	Legal Section	158,467	158,467	82,863	83,424	561
5354	Land Charges	(9,445)	(9,445)	(4,722)	(10,822)	(6,100)
5392	Scrutiny	49,659	49,659	24,842	24,785	(57)
5711	Democratic Services	188,100	188,100	99,096	85,969	(13,127)
Joint Head of Service Finance and Resources						
3176	Pool Car	1,970	1,970	988	745	(243)
3512	CBC Crematorium	(165,000)	(165,000)	(82,530)	(82,530)	0
5113	Unison Duties	14,645	14,645	7,328	7,912	584
5611	External Audit	43,510	43,510	21,756	21,756	0
5615	Bank Charges	86,000	86,000	43,016	51,363	8,347
5621	Contribution to/from HRA	(185,600)	(185,600)	(92,838)	(92,800)	38
5705	Jnt HoS Finance & Resources	37,088	37,088	18,562	750	(17,812)
5713	Audit	110,840	110,840	55,420	32,894	(22,526)
5714	Financial Support Services	4,112	4,112	2,058	1,436	(622)
5715	Procurement	39,191	39,191	19,596	25,983	6,387
5721	Financial Services	291,696	291,696	167,376	164,757	(2,619)
5723	Housing Act Advances	2,300	2,300	1,152	2,408	1,256
5724	Insurance	276,508	276,508	288,750	280,983	(7,767)
5725	Apprenticeship Levy	45,000	45,000	22,506	19,868	(2,638)
5727	Cost Of Ex-Employees	971,015	971,015	485,698	467,579	(18,119)
5741	Housing Benefit Service	340,407	340,407	171,783	166,684	(5,099)
5747	Debtors	48,735	48,735	24,379	24,370	(9)
5751	NNDR Collection	(15,382)	(15,382)	4,910	8,424	3,514
5759	Council Tax Administration	220,626	220,626	107,962	89,187	(18,775)
5781	Village Hall Grants	14,870	14,870	14,870	14,867	(3)
Joint Head of Service Street Scene						
3174	Street Scene	286,295	286,295	143,237	146,173	2,936
3227	Materials Recycling	170,809	170,809	85,536	138,123	52,587
3231	Recycling Promotional Work	3,800	3,800	1,902	488	(1,414)
3244	Parks Derbyshire County Council Agency	(360,000)	(360,000)	(272,298)	(272,298)	0
3282	Eckington Depot	96,268	96,268	64,425	59,865	(4,560)
3285	Dronfield Bulk Depot	3,400	3,400	3,400	3,437	37
3511	Hasland Cemetery	(53,555)	(53,555)	(20,571)	(15,688)	4,883
3513	Temple Normanton Cemetery	(7,530)	(7,530)	(2,578)	(3,393)	(815)
3514	Clay Cross Cemetery	(43,685)	(43,685)	(28,185)	(30,904)	(2,719)
3516	Killamarsh Cemetery	(18,285)	(18,285)	(8,753)	(8,834)	(81)
3918	Dog Fouling Bins	(46,800)	(46,800)	(23,410)	(32,707)	(9,297)
3921	Street Cleaning Service	605,289	605,289	302,769	302,388	(381)
3943	Transport	431,493	431,493	230,255	235,703	5,448
3944	Grounds Maintenance	535,689	545,289	209,775	212,525	2,750
3945	Domestic Waste Collection	1,625,782	1,625,782	813,215	812,595	(620)
3946	Commercial Waste Collection	(128,412)	(128,412)	(122,900)	(121,672)	1,228
Total for People Directorate		9,416,884	9,441,484	4,937,983	4,828,917	(109,067)
Investment Properties						
4411	Stonebroom Industrial Estate	(42,580)	(42,580)	(19,616)	(34,520)	(14,904)
4413	Clay Cross Industrial Estate	(78,685)	(78,685)	(38,596)	(45,321)	(6,725)
4415	Norwood Industrial Estate	(208,195)	(208,195)	(101,911)	(136,258)	(34,347)
4417	Eckington Business Park	(25,000)	(25,000)	(12,502)	(5,915)	6,587
4418	Rotherside Court Eckington Business Unit	(21,735)	(21,735)	(1,007)	(8,203)	(7,196)
4423	Pavillion Workshops Holmewood	(66,260)	(66,260)	(31,520)	(43,870)	(12,350)
4432	Miscellaneous Properties	12,675	12,675	10,577	19,916	9,339
Total for Investment Properties		(429,780)	(429,780)	(194,575)	(254,171)	(59,596)

	Current Budget 2019/20 £	Profiled Qtr 2 Budget £	Actuals with Accruals £	Variance £
INCOME				
Dwelling Rents	(31,318,471)	(16,616,138)	(16,610,862)	5,276
Non-Dwelling Rents	(414,062)	(216,575)	(225,766)	(9,191)
Charges for Services and Facilities	(151,700)	(80,111)	(83,656)	(3,545)
Contributions Towards Expenditure	(50,000)	(25,000)	(25,000)	0
INCOME TOTAL	(31,934,233)	(16,937,824)	(16,945,284)	(7,460)
EXPENDITURE				
Repairs & Maintenance	5,202,329	2,602,198	2,549,680	(52,518)
Supervision and Management	6,858,396	3,430,588	3,399,313	(31,275)
Rents, Rates & Taxes	110,000	55,022	55,022	0
Capital Charges - Depreciation	7,929,774	3,966,471	3,966,471	0
Provision for Bad Debts	250,000	125,000	125,000	0
Debt Management Expenses	11,500	5,750	5,750	0
EXPENDITURE TOTAL	20,361,999	10,185,029	10,101,236	(83,793)
NET COST OF SERVICES	(11,572,234)	(6,752,795)	(6,844,048)	(91,253)
Corporate & Democratic Core	185,450	92,725	92,725	0
NET COST OF HRA SERVICES	(11,386,784)	(6,660,070)	(6,751,323)	(91,253)
Interest Payable	5,246,300	2,624,198	2,624,198	0
Interest Receivable	(41,545)	(20,779)	(20,779)	0
Revenue Contribution to Capital	1,832,029	916,228	916,228	0
Contribution to Debt Repayment	4,300,000	2,150,860	2,150,860	0
Transfer to Insurance Reserve	50,000	25,000	25,000	0
(Surplus)/Deficit on HRA Services	0	(964,563)	(1,055,816)	(91,253)

Project/Scheme	Current Programme 2019/20 £000	Profiled Budget Quarter 2 £000	Actual and Commitments Quarter 2 £000	Variance at Quarter 2 £000
Housing Investment				
HRA Capital Works	9,395	4,698	3,785	(913)
EWI Schemes	1,350	0	0	0
Pine View Danesmoor	877	7	7	0
North Wingfield New Build	197	114	114	0
Stock Purchase Programme	555	555	576	21
Acquisitions and Disposals (RHL)	500	0	0	0
Car Park Resurfacing - Holmesfield	40	40	41	1
Car Park Resurfacing - Pilsley	40	40	34	(6)
				0
Private Sector Spending	708	354	354	0
Total Housing Investment	13,662	5,808	4,911	(897)
Other Capital Projects				
Asset Refurbishment - General	534	156	156	0
Eckington Swimming Pool Car Park	43	43	43	0
Roller Shutter Door Replacements	64	23	23	0
Leisure Centre Kit Replacement	0	0	0	0
Eckington Swimming Pool Roof	270	0	0	0
Lottery Funded Schemes	11	0	0	0
Replacement Vehicles	1,806	525	525	0
Contaminated Land	42	0	0	0
ICT Schemes	180	86	86	0
Northwood Group Grant	220	220	220	0
Total Other Capital Projects	3,170	1,053	1,053	0
Total Capital Expenditure	16,832	6,861	5,964	(897)
Housing Investment Funding				
Major Repairs Allowance	(9,000)	(4,698)	(3,785)	913
HRA Capital Investment Reserve	(1,742)	(392)	(408)	(16)
Usable Capital Receipts	(743)	(243)	(243)	0
Prudential Borrowing	(1,469)	(121)	(121)	0
	(12,954)	(5,454)	(4,557)	897
<u>Private Sector Spending</u>				
Disabled Facilities Grant	(688)	(344)	(344)	0
Usable Capital Receipts	(20)	(10)	(10)	0
Total Housing Investment Funding	(13,662)	(5,808)	(4,911)	897
Other Capital Projects Funding				
External Grant	(53)	0	0	0
Prudential Borrowing	(2,076)	(525)	(525)	0
RCCO - GF	(100)	(41)	(41)	0
Useable Capital Receipts	(941)	(487)	(487)	0
Other Capital Project Funding	(3,170)	(1,053)	(1,053)	0
Total Capital Financing	(16,832)	(6,861)	(5,964)	897

Treasury Management Activity April – September 2019/20**PWLB Borrowing**

The Council's total outstanding PWLB debt amounted to £150.846m at 1st April 2019. During the first two quarters of 2019/20 £1.152m has been repaid to the PWLB so the balance at 30th September 2019 is £149.694m. During the current financial year no new loans have been taken out with the PWLB. The profile of the outstanding debt is analysed as follows: -

PWLB Borrowing	Maturity Profile 31 March 2019 £'000	Maturity Profile 30 September 2019 £'000
Term		
12 Months	1,304	152
1 - 2 years	304	304
2 - 5 years	6,420	6,420
5 - 10 years	25,402	25,402
10 - 15 years	28,326	28,326
Over 15 years	89,090	89,090
Total PWLB Debt	150,846	149,694

PWLB Interest

The interest cost to the Council of the PWLB debt for 2019/20 is shown in the table below. The cost is split between the HRA and General Fund based on the level of debt outstanding within the CFR.

Date	Amount Paid to PWLB £'000
Accrued Interest re 2018/19	(46)
23 rd September 2019	146
30 th September 2019	2,525
Accrued Interest re 2019/20	32
Total Paid	2,657

Temporary Borrowing

Cash flow monitoring and management serves to identify the need for short term borrowing to cover delays in the receipt of income during the course of the year. During the current year to date short term borrowing from the Council's own bank hasn't incurred any interest charges. At the 30th September 2019 the Council had no temporary borrowing.

Temporary Investments

The tables below detail the short term investments made during the first two quarters of 2019/20: -

Bank Name	Duration of Loan	B/Fwd 01/04/19 £000's	Amount Invested 2019/20 £000's	Amount Returned 2019/20 £000's	Balance Invested 30/9/19 £000's	Interest Received 30/9/19 £000's
Santander	Call	35	11,007	(6,042)	5,000	(7)
Handelsbanken	Call	5	12,303	(12,308)	0	(3)
Barclays	Call	0	4,000	0	4,000	0
Federated Fund 3	Call	3,000	11	(11)	3,000	(11)
Federated GBP 3	Call	2,000	9	(9)	2,000	(9)
Aberdeen Standard	Call	5,000	1,017	(1,017)	5,000	(17)
CCLA Public Sector Deposit Fund	1 Day Call	5,000	19	(19)	5,000	(19)
King & Shaxson	1 Year	1,000	1,004	(1,002)	1,000	(4)
Eastleigh Borough Council	3 Months	1,000	1	(1,001)	0	(1)
Lancashire County Council	1 Year	2,000	2	(2,002)	0	(2)
Cheshire East Borough Council	14 months	1,000	0	(1,000)	0	(0)
Total		20,040	29,371	(24,411)	25,000	(73)

Overnight Investments

The balance of the daily surplus funds can be placed as overnight investments with the Councils bank which is Lloyds. The maximum amount invested with Lloyds in the first quarter of the financial year was £4.991m. There has been no breach of the £5m limit set in the Treasury Management Strategy. For clarity, this limit relates to the amount invested and doesn't include interest accruing as a result. The interest earned from daily balances to 30th September 2019 is £9,635.67.

Compliance with Treasury Limits

During the financial year the Council continued to operate within the treasury limits set out in the Council's Borrowing and Investment Strategy.

	Actual 2019/20 £'000	Set Limits 2019/20 £'000
Authorised Limit (total Council external borrowing limit)	183,818	205,823
Operational Boundary	150,194	200,823

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

27 November 2019

Medium Term Financial Plan – Revised Budgets 2019/20

Report of the Head of Resources and Revenues and Section 151 Officer

This report is public

Purpose of the Report

- The purpose of this report is to present to Members of the Audit and Corporate Governance Scrutiny Committee a summary of the revised budget which will be presented to Cabinet at its meeting on 5 December 2019.

1 Report Details

- 1.1 To update Members of the Audit and Corporate Governance Scrutiny Committee concerning the current position in respect of revised budgets.
- 1.2 The report which will be taken to the Council's Cabinet on 5 December 2019 is accordingly now brought to the Audit and Corporate Governance Scrutiny Committee for its consideration. The attached report is a draft version.

2 Conclusions and Reasons for Recommendation

- 2.1 To ensure that the Audit and Corporate Governance Scrutiny Committee are kept informed of the latest position concerning budgets.

3 Consultation and Equality Impact

- 3.1 These are detailed in the attached report as **Appendix 1**.

4 Alternative Options and Reasons for Rejection

- 4.1 These are detailed in the attached report.

5 Implications

5.1 Finance and Risk Implications

These are detailed in the attached report.

5.2 Legal Implications including Data Protection

These are detailed in the attached report.

5.3 Human Resources Implications

These are detailed in the attached report.

6 Recommendations

- 6.1 That the Audit and Corporate Governance Scrutiny Committee note the report concerning the Council's Medium Term Financial Plan - Revised Budgets 2019/20 and make any comments that they believe to be appropriate concerning these matters which will be reported to Cabinet 5 December 2019.

7 Decision Information

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

8 Document Information

Appendix No	Title
1	Cabinet Report 5 December 2019 Medium Term Financial Plan – Revised Budget 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
Jayne Dethick - Head of Resources and Revenues and Section 151 Officer	01246 217658

North East Derbyshire District Council

Cabinet

5 December 2019

Medium Term Financial Plan - Revised Budgets 2019/20

Report of Councillor P Parkin, Portfolio Holder for Finance

This report is public

Purpose of the Report

- To seek Cabinet approval of the 2019/20 revised budget for the General Fund, Housing Revenue Account and Capital Programme which will assist in improving the Council's financial position in both 2019/20 and future financial years.

1 Report Details

General Fund Revenue Account

- 1.1 The revised budget process is now complete and the proposed 2019/20 revised budget for the General Fund is attached at **Appendix 1**. The appendix shows the original budget for 2019/20 which was agreed in February 2019, the current budget which reflects budget transfers and approved changes during the financial year, and the proposed revised budget for 2019/20.
- 1.2 The revised budget has reduced by £2.316m across the People and Place Directorates. A further reduction of £0.134m from interest earned and additional income from investment properties brings the total reduction to £2.450m.
- 1.3 The reduction detailed at 1.2 above includes additional grant income of £1.095 which has been moved to reserves and additional expenditure of £0.616m which has been released from reserves. Furthermore, £1.015m in repaid VAT has been moved to the Invest to Save Reserve pending the completion of the Medium Term Financial Plan refresh which will be presented to Cabinet in February 2020. This results in a net reduction to the budget of £0.956m as demonstrated in Table 1 below.

Table 1

	2019/20 Current Budget £000	2019/20 Revised Budget £000
Budget Shortfall MTFP Feb 2019	770	770
Efficiencies identified <u>after</u> Movements to/from Reserves	(378)	(956)
Current Budget Shortfall (Surplus)	493	(186)
Efficiencies identified <u>not yet</u> <u>realised</u>	(323)	(213)
General Fund (surplus)/Budget Shortfall	170	(399)

- 1.2 The original savings target of £0.770m has been met in full as part of this revised budget and an additional £0.186m has also been identified. This follows a line by line budget review which has scrutinised ongoing expenditure savings or additional income levels and removed them from the budget. Through the budget challenge process budget managers and portfolio holders have been consulted and are in agreement with the changes proposed.
- 1.3 **Appendix 2** details the net cost of each cost centre by Directorate. Variances of note within the revised budget are detailed in Table 2 below:

	£000's
Vacancy Management	(190)
Utilities	64
Materials Recycling	36
Vehicle repairs and fuel	(27)
Printing and Postages	(33)
Subscriptions and publications	(12)
Additional income earned from interest	(117)
Income from leisure facilities	(318)
Income from commercial rents	(78)
Vehicle MOT testing and repairs	(36)
Income from waste disposal charges	(63)
Increase in Planning Income	(124)
Deminimus budget increases(decreases)	(38)
Total Increase in (Income)/ Reduction in Expenditure	(956)

- 1.4 The final position will clearly be dependent on the actual financial performance out-turning in line with the revised budgets as there may be further costs and/or savings identified from restructuring processes and other variances as the year progresses. All surpluses generated in the financial year are transferred into the Invest to Save Reserve so as to be available for financing the Council's transformation plans, service developments and any restructuring costs.

Housing Revenue Account (HRA)

- 1.5 The Housing Revenue Account revised budget for 2018/19 is set out in **Appendix 3** to this report.

Income

- 1.6 Overall, there are no major income variances to report with dwelling rent income £0.046m (0.14%) lower than the current budget. Non dwelling rents are currently slightly higher and income from charges for services is also very slightly higher than the current budget.

Expenditure

- 1.7 Rykneld Homes Limited, who undertakes the management of the Council's housing stock, is funded through the HRA by the payment of a management fee which for 2019/20 is £9.902m. The 2020/21 fee will be reported to Cabinet as part of the Medium Term Financial Plan once agreed.
- 1.8 The remainder of the HRA expenditure is managed by the Council. The revised budget shows an increase against the current budget of £0.155m. This is the result of an increase in depreciation which is offset by a reduction in the contribution to the major repairs reserve so the net impact is nil. There are a number of small savings across the repair and maintenance budgets. Interest costs to the HRA are also £0.133m higher than the current budget.
- 1.9 Taking account of the proposed budget changes detailed above, the HRA is anticipated to deliver a surplus in the current financial year of £0.642m, which is £0.119m lower than the current budget. This surplus will be retained in the development reserve to fund improved services to Council tenants in future financial years.

Capital Programme

- 1.10 The Council's capital programme is shown in **Appendix 4**. It has been updated from the original budgets to reflect approvals within the year and the profiling of the individual schemes following approved changes by Members and from detailed discussions with budget officers.
- 1.11 The HRA capital programme is £1.464m higher than the original budget as result of underspends being carried forward from the previous year. The rollover of the budgets was approved by Cabinet in June with the financial outturn for 2018/19.

- 1.12 The General Fund capital programme is also higher than the original budget as result of underspends being carried forward from the previous year. Both programmes are forecast to be in line with the revised budget.
- 1.13 The changes that are shown in the revised capital programme mean that the financing is adjusted accordingly to meet the anticipated spend. There are no issues to report with regard to the financing of the 2019/20 capital programme.

2 Conclusions and Reasons for Recommendation

- 2.1 The purpose of this report is to set revised budgets as early as possible within the financial year to ensure that identified budget savings are realised, that all budget managers are working to the revised budgets and to allow any planned changes to be delivered. The improved position on both the Council's main revenue budgets reflects a combination of favourable circumstances during the year, together with careful budget management and the ongoing policies of progressing the transformation agenda in order to reduce the underlying level of expenditure in line with the ongoing reductions in the level of government grant. The savings achieved will be used to support service delivery to residents and tenants in future financial years.

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 General Fund and HRA

The anticipated surplus on the Council's two main revenue accounts will result in an increase in financial reserves at the year-end which are available to protect services at a time of declining central government support. How these additional resources are utilised is a decision for Members which will be taken as part of the 2020/21 budget process.

4.2 Capital

There are no alternative options being considered with regard to the proposed allocations from the Capital Programme budget as it ensures the Council's assets meet health and safety requirements in that they are maintained in a fit for purpose state that ensures they remain fully operational.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 The issue of financial risk is covered throughout the report. In addition, however, it should be noted that the risk of not achieving a balanced budget is outlined as a key

risk within the Council's Strategic Risk Register. While officers are of the view that these risks are being appropriately managed it needs to be recognised that continued reductions in budgets may mean that adverse variances arising from particular issues or pressures may not be able to be absorbed from favourable variances in other budgets.

There is also no provision within the revised budget to meet any costs of delivering financial savings required for future years. Any proposals to utilise the forecast surplus in the current year must take this risk into account.

5.1.2 The capital programme identifies and recognises the need to maintain the Council's assets in a fit for purpose state and to retain and attract income streams for the Council. The financing of the capital programme is secured for 2019/20 thus minimising the risk of any additional unplanned borrowing.

5.1.3 Financial issues and implications are covered in the relevant sections throughout this report.

5.2 Legal Implications Including Data Protection

5.2.1 There are no legal issues arising directly from this report.

5.3 Human Resources Implications

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

6 Recommendations

6.1 That Cabinet approves the revised General Fund budget for 2019/20 as set out in Appendix 1 and detailed in Appendix 2.

6.2 That Cabinet approves the revised HRA budget for 2019/20 as set out in Appendix 3.

6.2 That Cabinet approves the revised Capital Programme for 2019/20 as set out within Appendix 4.

7 Decision Information

<p>Is the decision a Key Decision?</p> <p>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:</p> <p>BDC: <i>Revenue - £75,000</i> <input type="checkbox"/></p> <p> <i>Capital - £150,000</i> <input type="checkbox"/></p>	<p>Yes</p>
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NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	
Is the decision subject to Call-In?	Yes
(Only Key Decisions are subject to Call-In)	
Has the relevant Portfolio Holder been informed	Yes
District Wards Affected	All
Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	General Fund Summary
2	General Fund Detail
3	HRA
4	Capital Programme
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
Jayne Dethick Head of Service – Finance and Resources and S151 Officer	01246 217078

GENERAL FUND SUMMARY 2019/20 - Revised Budgets

Appendix 1

	Original Budget 2019/20 £	Current Budget 2019/20 £	Revised Budget 2019/20 £
Place Directorate	2,676,408	2,647,968	2,063,474
People Directorate	9,416,884	9,441,484	7,709,968
Bad Debt Provision	40,000	40,000	40,000
Recharges to Capital and HRA	(527,500)	(527,500)	(527,500)
Savings Target	(770,023)	(770,023)	0
Net Cost of Services	10,835,769	10,831,929	9,285,942
Investment Properties	(429,780)	(429,780)	(447,564)
Interest	(6,920)	(6,920)	(123,581)
Debt Repayment Minimum Revenue Provision	256,000	256,000	256,000
Parish Precepts	3,139,643	3,139,643	3,139,643
Parish Council Tax Support Grant	70,382	70,382	70,382
Transfer To Earmarked Reserves	78,555	237,463	2,534,158
Transfer From Earmarked Reserves	(195,814)	(350,882)	(967,145)
Total Spending Requirement	13,747,835	13,747,835	13,747,835
Business Rates	(3,650,000)	(3,650,000)	(3,650,000)
New Homes Bonus	(926,218)	(926,218)	(926,218)
Collection Fund (Surplus)/Deficit - Council Tax	(160,812)	(160,812)	(160,812)
Collection Fund (Surplus)/Deficit - NNDR	0	0	0
NEDDC Council Tax Requirement	(5,871,162)	(5,871,162)	(5,871,162)
Parish Council Council Tax Requirement	(3,139,643)	(3,139,643)	(3,139,643)
Council Tax Requirement	(13,747,835)	(13,747,835)	(13,747,835)

		Original Budget 2019/20 £	Current Budget 2019/20 £	Revised Budget 2019/20 £
	Place Directorate			
	Joint Strategic Director Place			
1141	Joint Chief Executive - Place	39,390	39,390	39,146
5700	Joint Strategic Director - Place	53,346	53,346	53,534
5706	HS2	0	0	(3,450)
	Joint Head of Service Housing and Community Safety			
1218	Community Safety	38,243	38,243	19,083
1220	Joint Head of Service - Housing & Comm Safety	3,594	3,594	0
1283	Emergency Planning	16,000	-1,484	-13,968
3400	Environmental Protection	79,009	79,009	77,389
3401	Food, Health & Safety	115,557	115,557	113,521
3402	Environmental Enforcement	92,713	92,713	115,064
3403	Community Outreach	0	0	0
3404	Licensing	(19,200)	(19,200)	(32,480)
3405	Pollution	86,908	86,908	85,113
3407	Pest Control	22,393	22,393	51,473
3408	Home Improvement	35,603	35,603	33,853
3409	EH Technical Support & Management	187,095	183,095	185,805
3410	Private Sector Housing	55,468	55,468	55,793
3419	Destitute Funerals	3,600	3,600	1,500
3420	Fly Tipping	3,000	3,000	3,000
3421	VARM Discretionary Fund	9,000	9,000	9,000
3422	Building Resilience Programme (Shirebrook)	0	0	0
3423	Air Quality Feasibility Study	0	0	(624,686)
	Joint Head of Service Property and Commercial Services			
3135	Drainage	16,329	16,329	37,963
3172	Engineers	92,692	92,692	86,145
3241	Car Parks	40,555	40,555	39,920
3247	Street Names/Lights	11,000	11,000	4,920
3249	Footpath Orders	(200)	(200)	(3,000)
3285	Dams And Fishing Ponds	1,800	1,800	21,900
3281	Clay Cross Depot	(1,405)	(1,405)	(1,670)
3283	Northwood	0	0	55,800
3811	Closed Circuit Television	420	420	400
4412	Midway Business Centre	(54,970)	(54,970)	(63,980)
4425	Coney Green Business Centre	(41,329)	(41,329)	(51,203)
4523	Estates Administration	276,662	276,662	275,709
5204	Jnt HoS Property & Commercial Services	37,711	37,711	28,323
5205	Mill Lane	232,929	232,929	220,272
5209	Facilities Management	125,460	131,460	144,360
5210	Pioneer House	(31,311)	(31,311)	(51,223)
	Joint Head of Service Planning			
4111	Applications And Advice	(372,400)	(398,788)	(522,400)
4113	Planning Appeals	0	0	343,741
4118	Planning Policy	267,997	267,997	269,324
4119	Neighbourhood Planning Grant	0	0	35,379
4311	Environmental Conservation	19,800	19,800	19,950
4511	Jnt Hos Planning	37,088	37,088	37,398
4513	Planning	546,730	546,730	523,651
4515	Building Control	58,000	58,000	58,000
	Joint Head of Service Economic Development			
3165	Housing Options Team	211,911	211,911	175,011
3740	Strategic Housing	85,138	85,138	81,418
3741	Housing Ambition Project	0	0	0
3743	Manufacturing Zone Bid	0	0	24,080
3747	Homeless Temp Accommodation	0	0	7,792
3748	Homelessness Grant	(6,555)	(6,555)	(1,555)

		Original Budget 2019/20 £	Current Budget 2019/20 £	Revised Budget 2019/20 £
3749	Empty Properties	2,000	2,000	2,000
3750	Housing Growth	(1,627)	(1,627)	(1,325)
3751	Care Call System	(15,000)	(15,000)	0
3754	Rough Sleepers	0	0	14,837
3755	PRS Access Fund	0	13,412	13,732
4211	Tourism Promotions	18,500	18,500	18,500
4238	Working Communities Strategy	78,554	78,554	71,102
4240	Project X	0	0	0
4351	Alliance	3,350	3,350	0
4512	Growth Agenda	18,095	18,095	25,198
4516	Clay Cross OPE	0	0	0
4517	Economic Development	155,194	155,194	157,136
4519	The Avenue, Wingerworth	0	0	4,750
4520	Eckington Killamarsh OPE	0	0	(80,000)
4524	New Towns Fund - Clay Cross	0	0	(140,000)
4526	Sheffield City Region	4,000	4,000	4,000
5750	Jnt HoS Economic Development	37,573	37,573	8,478
Total for Place Directorate		2,676,408	2,847,968	2,063,474
People Directorate				
Joint Strategic Director People				
1142	Joint Chief Executive (People)	81,168	81,166	79,928
4500	Joint Strategic Director - People	62,529	62,529	54,682
5720	Supporting PA's	82,855	82,855	82,488
Joint Head of Service Partnerships and Transformation				
1315	Design & Print	92,910	92,910	79,749
1321	Communications & Marketing	81,241	81,241	81,482
1323	NEDDC News	27,000	27,000	28,000
1329	Corporate Web Site	520	520	1,020
1331	Strategic Partnerships	156,147	156,147	148,705
1332	Strategic Partnership Projects	0	0	150
1333	Healthy North East Derbyshire	27,754	27,754	(128,665)
1334	NE Derbyshire Business Growth Fund	0	0	8,265
1335	Big Local	0	0	0
4352	LEADER	0	0	0
4443	Elderly Peoples Clubs	4,000	4,000	4,000
4561	Leisure Centre Management	121,786	121,786	(881,164)
4600	Jnt Hos Partnerships & Transformation	33,932	33,932	33,915
4720	Sportivate	0	0	0
4722	Physical Inactivity Fund	0	0	0
4723	Generation Games	1,226	1,226	0
4724	Walking Into Communities	0	11,000	11,000
4726	Walking for Health	0	0	0
4727	Five 60	0	0	0
4731	Promotion Of Recreation And Leisure	29,684	29,684	29,077
4732	Schools Promotion	2,423	2,423	0
4736	Derbyshire Sports Forum	15,500	15,500	14,450
4742	Arts Development	2,800	2,800	2,530
5215	Telephones	32,100	32,100	30,000
5216	Mobile Phones and I pads	16,665	16,665	16,660
5221	Customer Services	367,902	367,902	364,543
5223	Franking Machine	59,960	59,960	60,680
5701	Joint ICT Service	0	0	0
5734	NEDDC ICT Service	546,315	546,315	516,026
5737	Corporate Printing Costs	18,035	18,035	12,835
5785	Contributions	132,835	132,835	136,085
5825	Concessionary Bus Passes	(9,940)	(9,940)	(9,600)
8441	Eckington Swimming Pool	191,926	191,926	138,125
8445	Eckington Pool Cafe	2,422	2,422	(10,340)

		Original Budget 2019/20 £	Current Budget 2019/20 £	Revised Budget 2019/20 £
8451	Dronfield Sports Centre	(25,336)	(25,336)	(99,213)
8455	Dronfield Café	0	0	(11,252)
8461	Sharley Park Sports Centre	310,898	310,898	288,594
8465	Sharley Park Sports Centre Outdoor	(2,150)	(2,150)	(3,462)
	Joint Head of Service Corporate Governance			
1121	Member's Services	439,868	439,868	435,643
1123	Chair's Expenses	11,520	11,520	11,120
1131	District Elections	160,000	160,000	160,000
1133	Parish Elections	0	0	0
1137	Parliamentary Elections	0	0	0
1139	County Council Elections	0	0	0
1231	Corporate Training	45,980	49,980	38,110
1255	Strategy and Performance	100,901	100,901	103,914
1256	Corporate Consultation	14,265	14,265	13,456
1259	Corporate Groups	10,000	10,000	2,000
1311	Human Resources	188,672	188,672	184,989
1312	Payroll	53,019	53,019	53,191
1313	Work Well Team	2,200	2,200	2,200
3121	Health & Safety Advisor	40,778	40,778	72,645
5219	Corporate Support	0	0	0
5249	Twinning Expenses	7,100	7,100	0
5273	Brass Band Concert	2,700	2,700	550
5313	Register Of Electors	165,356	165,356	154,688
5321	Jnt HoS Corporate Governance	39,550	39,550	39,558
5353	Legal Section	158,467	158,467	156,359
5354	Land Charges	(9,445)	(9,445)	(13,076)
5392	Scrutiny	49,659	49,659	49,582
5711	Democratic Services	188,100	188,100	192,297
	Joint Head of Service Finance and Resources			
3176	Pool Car	1,970	1,970	1,000
3512	CBC Crematorium	(165,000)	(165,000)	(165,000)
5113	Unison Duties	14,646	14,646	15,630
5611	External Audit	43,510	43,510	44,280
5615	Bank Charges	86,000	86,000	74,500
5621	Contribution to/from HRA	(185,800)	(185,600)	(185,600)
5705	Jnt HoS Finance & Resources	37,088	37,088	22,084
5713	Audit	110,840	110,840	81,000
5714	Financial Support Services	4,112	4,112	4,120
5715	Procurement	39,191	39,191	44,300
5721	Financial Services	291,696	291,696	273,305
5723	Housing Act Advances	2,300	2,300	2,410
5724	Insurance	276,508	276,508	276,508
5726	Apprenticeship Levy	45,000	45,000	45,000
5727	Cost Of Ex-Employees	971,015	971,015	938,000
5741	Housing Benefit Service	340,407	340,407	399,146
5747	Debtors	48,735	48,735	48,614
5761	NNDR Collection	(15,382)	(15,382)	(10,146)
5759	Council Tax Administration	220,626	220,626	210,674
5781	Village Hall Grants	14,870	14,870	14,870
	Joint Head of Service Street Scene			
3174	Street Scene	286,295	286,295	299,994
3227	Materials Recycling	170,808	170,808	207,300
3231	Recycling Promotional Work	3,800	3,800	2,800
3244	Parks Derbyshire County Council Agency	(360,000)	(360,000)	(360,000)
3282	Eckington Depot	96,268	96,268	93,391
3285	Dronfield Bulk Depot	3,400	3,400	3,440
3511	Healand Cemetery	(53,555)	(53,555)	(44,600)
3513	Temple Normanton Cemetery	(7,530)	(7,530)	(7,740)
3514	Clay Cross Cemetery	(43,685)	(43,685)	(59,685)

		Original Budget 2019/20 £	Current Budget 2019/20 £	Revised Budget 2019/20 £
3516	Killamarsh Cemetery	(18,285)	(18,285)	(18,280)
3918	Dog Fouling Bins	(48,800)	(48,800)	(55,000)
3921	Street Cleaning Service	605,289	605,289	643,704
3943	Transport	431,493	431,493	313,999
3944	Grounds Maintenance	535,689	545,289	520,831
3945	Domestic Waste Collection	1,625,782	1,625,782	1,500,296
3946	Commercial Waste Collection	(128,412)	(128,412)	(202,676)
4436	The Avenue - Downy			
Total for People Directorate		9,416,864	9,441,494	7,700,968
Investment Properties				
4411	Stonebroom Industrial Estate	(42,580)	(42,580)	(47,150)
4413	Clay Cross Industrial Estate	(78,685)	(78,685)	(80,200)
4415	Norwood Industrial Estate	(208,195)	(208,195)	(215,000)
4417	Eckington Business Park	(25,000)	(25,000)	(21,000)
4418	Rotherside Court Eckington Business Unit	(21,735)	(21,735)	(27,810)
4423	Pavillion Workshops Holmewood	(66,260)	(66,260)	(88,620)
4432	Miscellaneous Properties	12,675	12,675	33,216
Total for Investment Properties		(429,780)	(429,780)	(447,564)

HOUSING REVENUE ACCOUNT - Revised Budgets 2019/20
APPENDIX 3

	Original Budget 2019/20 £	Current Budget 2019/20 £	Revised Budget 2019/20 £
INCOME			
Dwelling Rents	(31,318,471)	(31,318,471)	(31,289,326)
Non-Dwelling Rents	(414,082)	(414,082)	(416,590)
Charges for Services and Facilities	(151,700)	(151,700)	(152,400)
Contributions Towards Expenditure	(50,000)	(50,000)	(50,000)
INCOME TOTAL	(31,934,233)	(31,934,233)	(31,888,316)
EXPENDITURE			
Repairs & Maintenance	5,202,329	5,202,329	5,182,059
Supervision and Management	6,858,396	6,858,396	6,862,089
Rents, Rates & Taxes	110,000	110,000	110,000
Capital Charges - Depreciation	7,929,774	7,929,774	8,101,505
Provision for Bad Debts	250,000	250,000	250,000
Debt Management Expenses	11,500	11,500	11,500
EXPENDITURE TOTAL	20,361,999	20,361,999	20,517,153
NET COST OF SERVICES	(11,572,234)	(11,572,234)	(11,371,153)
Corporate & Democratic Core	185,450	185,450	185,450
NET COST OF HRA SERVICES	185,450	185,450	185,450
Interest Payable	5,246,300	5,246,300	5,379,861
Interest Receivable	(41,545)	(41,545)	(84,877)
Debt Repayment	4,300,000	4,300,000	4,300,000
Transfer to HRA Insurance Reserve	50,000	50,000	50,000
Contribution to MRR	1,070,226	1,070,226	898,495
Contribution to Development Reserve	761,803	761,803	642,234
(Surplus)/Deficit on HRA Services	0	0	0
Opening HRA Balance	(3,000,000)	(3,000,000)	(3,000,000)
Transfers (to)/from Balances	0	0	0
Closing HRA Balance	(3,000,000)	(3,000,000)	(3,000,000)

Capital Expenditure	Original Budget 2019/20 £	Current Budget 2019/20 £	Revised Budget 2019/20 £
Housing Revenue Account			
Capital Works - Council Housing	9,000,000	9,395,000	9,395,000
EWI Scheme	1350000	1,350,000	1,350,000
Pine View Danesmoor	800000	877,000	877,000
North Wingfield New Build Scheme	0	197,000	197,000
Stock Purchase Programme	0	555,000	555,000
Acquisitions & Disposals (RHL)	500,000	500,000	500,000
Car Park Surfacing - Pilsley	40,000	40,000	40,000
Car Park Surfacing - Holmesfield	0	40,000	40,000
HRA - Capital Expenditure	11,490,000	12,954,000	12,954,000
General Fund			
Private Sector Housing Grants (DFG's)	395,000	708,000	708,000
ICT Schemes	159,508	180,000	189,000
Clay Cross Football Pitch	0	11,000	11,000
Asset Refurbishment - General	500,000	577,000	577,000
Roller Shutter Doors	0	84,000	84,000
Eckington Pool Roof	0	270,000	270,000
Replacement of Vehicles	982,500	1,805,000	1,205,000
Contaminated Land	0	42,000	42,000
Northwood Grant	0	0	890,000
General Fund Capital Expenditure	2,036,008	3,655,000	3,707,000
Total Capital Expenditure	13,526,008	16,609,000	16,661,000
Capital Financing	2019/20	2019/20	2019/20
Housing Revenue Account			
Major Repairs Reserve	(9,000,000)	(9,000,000)	(9,000,000)
Prudential Borrowing - HRA	(800,000)	(1,469,000)	(1,469,000)
External Grant - HCA	0	0	0
Development Reserve	(1,390,000)	(1,742,000)	(1,742,000)
Capital Receipts Reserve	(500,000)	0	(429,500)
1-4-1 Receipts	0	(743,000)	(316,500)
HRA Capital Financing	(11,490,000)	(12,954,000)	(12,954,000)
General Fund			
Disabled Facilities Grant	(373,000)	(688,000)	(688,000)
External Grant - Lottery Funded Schemes	0	(11,000)	(11,000)
External Grant - Contaminated Land	0	(42,000)	(42,000)
Prudential Borrowing	(982,500)	(2,078,000)	(1,478,000)
RCCO - Roller Shutter Doors	0	(84,000)	(84,000)
RCCO - Vehicles	(35,739)	(35,739)	(35,739)
Useable Capital Receipts	(643,769)	(741,261)	(730,261)
1-4-1 Receipts	0	0	(860,000)
General Fund Capital Financing	(2,036,008)	(3,599,000)	(3,767,000)
HRA Development Reserve			
Opening Balance	(1,284,302)	(1,776,000)	(1,775,719)
Amount due in year	(761,803)	(887,000)	(891,803)
Amount used in year	1,390,000	1,742,000	1,742,000
Closing Balance	(656,105)	(701,000)	(825,522)
Major Repairs Reserve			
Opening Balance	(219,821)	(178,000)	(178,108)
Amount due in year	(9,000,000)	(9,000,000)	(9,000,000)
Amount used in year	9,000,000	9,000,000	9,000,000
Closing Balance	(219,821)	(178,000)	(178,108)
Capital Receipts Reserve			
Opening Balance	(1,134,128)	(2,795,000)	(2,786,311)
Income expected in year	(2,500,000)	(2,000,000)	(4,000,000)
Debt Repayment/Other Expenses	1,000,000	1,900,000	3,200,000
Amount used in year	1,143,769	741,000	2,778,500
Closing Balance	(1,490,359)	(2,154,000)	(597,811)
Capital Receipts Reserve 1-4-1 receipts			
Opening Balance	(3,428,060)	(2,772,000)	(2,772,278)
Income expected in year	0	(2,000,000)	0
Amount used in year	0	743,000	976,500
Closing Balance	(3,428,060)	(4,029,000)	(1,795,778)
Total Capital Financing	(13,526,008)	(16,609,000)	(16,661,000)

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

27 November 2019

Strategic Risk Register and Partnership Arrangements

Report of the Strategic Director - People

This report is public

Purpose of the Report

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

1 Report Details

Background

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

ensure that all appropriate measures to mitigate (or reduce) the risk are in place from the outset.

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

The Strategic Risk Register

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

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

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

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

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

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

Partnership Arrangements

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

- Roles and responsibilities including *Senior Risk Officer* and *Senior Information Risk Officer* (SRO and SIRO)

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

2 Conclusions and Reasons for Recommendation

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

3 Consultation and Equality Impact

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

4 Alternative Options and Reasons for Rejection

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

5 Implications

5.1 Finance and Risk Implications

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

5.2 Legal Implications including Data Protection

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

5.3 Human Resources Implications

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

6 Recommendations

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

7 Decision Information

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

8. Document Information

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

STRATEGIC RISK REGISTER SUMMARY AS AT: 30 September 2019

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

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

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

	introduced to date this is considered to be an increasing issue for the Council.				
	<u>Mitigation</u> <ul style="list-style-type: none"> The Council has appropriate managerial arrangements in place supported by staff recruitment and training to ensure these risks are effectively managed. The Council has a Performance Management Framework in place to help ensure that services are delivered in line with good practice and industry standards. On going monitoring and regular reporting will help ensure that any emerging issues re service performance are effectively identified and resolved at the earliest possible opportunity. 				
4.	<p>Emergency Planning and Business Continuity arrangements fail to meet required standards when tested by flu pandemic, natural disaster (flood), etc.</p> <p>Cyber crime with a loss of data / systems, results in the inability to provide core services and reputational damage.</p>	<ul style="list-style-type: none"> Inability of Council to provide services as a consequence of a severe catastrophic external event (e.g. flooding, major terrorist incident, flu pandemic, fire, cyber crime). Failure of IT infrastructure, leading to inability to effectively operate services and to safeguard income streams. Business Continuity Plans prove ineffective in practice. 	3,4 12	2,4 8	SAMT / Chief Executive

	<u>Mitigation</u> <ul style="list-style-type: none"> The Council works in partnership with a range of partners on its Emergency Planning arrangements to ensure that we operate in line with best practice. There is an annual 'desktop' scenario to test officers understanding of the arrangements and validate that they are fit for purpose in a realistic 'trial' scenario. All services have Business Continuity plans in place which identify key risks and mitigation. Corporate IT systems have been tested against Industry standards for Business Continuity. The Council works in partnership with a range of other agencies that should be able to provide support in the event of the Council's own procedures failing to be effective. The Council has in place industry standard measures to minimise the risk of cyber crime. 				
5	<p>Increasing difficulty in recruiting to key posts or in replacing key staff who leave. Staff morale is adversely affected arising from the pace of change, tightening financial circumstances or external circumstances.</p>	<ul style="list-style-type: none"> Deterioration in services to the public. Increasing inefficiencies in service provision. Weakening of Internal Control arrangements. Increased pressure on other members of staff. 	3,4 12	2,4 8	SAMT / Head of Legal & Governance
	<u>Mitigation</u> <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. 				

	<ul style="list-style-type: none"> • Appropriate training budgets are in place to ensure that staff receive necessary training to maintain service quality / continuity. • The Council is looking to introduce appropriate apprenticeship / training schemes in order to develop suitable staff. 				
6	<p>Delivery of the Council's Agenda is dependent upon effective delivery of both a number of major initiatives / projects and implementing a range of new government reforms whilst achieving financial targets and maintaining service quality, which may overstretch our reduced organisational capacity.</p>	<ul style="list-style-type: none"> • New initiatives are not delivered in a cost-effective manner. • Failure to maintain / improve services in line with local aspirations. • Failure to generate the savings required to balance the budget. • Financial savings measures weaken Governance / Internal Control arrangements. • Service deterioration / failure arising from capacity issues. 	3,4 12	2,4 8	SAMT / Chief Executive
	<p><u>Mitigation</u></p> <ul style="list-style-type: none"> • The Council has effective prioritisation and project management arrangements in place to ensure resources are directed at key objectives. • The Council has made efforts to ensure effective use of employees by utilising shared services to protect service resilience, by maintaining appropriate training arrangements and by investing in transformational service delivery projects. • The Council has a robust performance management framework that is intended to highlight emerging issues. 				

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

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

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

	sound independent examination.	at	<ul style="list-style-type: none"> • Reputational damage • Loss of control of planning and development 			
	<ul style="list-style-type: none"> • The Council has successfully avoided Government intervention in the plan-making process. • The Plan will be at independent examination and in the hands of the independent Inspector, with timescales largely outside of the Council's control. The greatest risk to any Plan at this stage is that it could be found to be unsound on a point of law, or it fails to demonstrate that it has been positively prepared and is justified. This is expected to take place during the Autumn of 2018. • The Council has taken all reasonable steps in the preparation of the Plan to ensure that it is based on sound evidence and meets procedural and legal requirements. This has included taking external legal advice, securing an advisory visit with the Planning Inspectorate and engaging consultants to critically review the Publication Draft Plan. • The Plan is currently paused to allow the current administration to review the situation relating to housing numbers and greenbelt releases. 					
12	Impact of HS2 and the electrification of the MML on environment, heritage, communities and businesses.		<ul style="list-style-type: none"> • Without considerable environmental mitigation measures will have a negative impact on the visual amenity of the district, disruption to businesses, home owners and communities. It also has the potential to sterilise areas of development due to uncertainty. 	4,4,16	4,4,16	SAMT / Political Leadership
	<ul style="list-style-type: none"> • CEX and senior management actively engaged with HS2 staff to discuss proactive business mitigation measures. • Political leadership working with relevant community groups and agencies lobbying for enhanced mitigation measures. • Contributing to the East Midlands HS2 growth strategy and also that we part of the mitigation study 					

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

27 November 2019

Corporate Debt – Quarter 2

Report of the Head of Resources and Revenues and S151 Officer

This report is public

Purpose of the Report

- The purpose of this report is to present to Members of the Audit and Corporate Governance Scrutiny Committee a summary of the corporate debt position as at 30 September 2019.

1 Report Details

- 1.1 To update Members of the Audit and Corporate Governance Scrutiny Committee on the position regarding corporate debt.
- 1.2 Appendix 1 of this report details the debt position with regard to sundry debtors, overpaid housing benefit and rents as at 30 September 2019.

2 Conclusions and Reasons for Recommendation

- 2.1 To ensure that the Audit and Corporate Governance Scrutiny Committee are informed of the latest position concerning the Council's debt.

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 This report is for information only.

5 Implications

5.1 Finance and Risk Implications

Appendix 1 details the current position regarding corporate debt. Failure to collect this debt would have a detrimental impact on the Council's financial position and may result in some of the debt being written off.

5.2 Legal Implications including Data Protection

These are none arising directly from this report.

5.3 Human Resources Implications

These are none arising directly from this report.

6 Recommendations

- 6.1 That the Audit and Corporate Governance Scrutiny Committee note the report concerning the Council's Corporate Debt as at 30 September 2019.

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	Corporate Debt – Quarter 2
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
Jayne Dethick – Head of Resources and Revenues and S151 Officer	01246 217078

Aged Debt Reporting – Sundry Debtors

APPENDIX 1: TABLE 1

Debt Outstanding as at	Current Debt £000	90 – 365 Days £000	1 to 2 years £000	2 – 3 years £000	3 – 4 years £000	4 – 5 years £000	5+ years £000	Total £000	Write Offs £000
Average Debt 2014/15	1,330	180	42	27	34	5	24	1,642	7
Average Debt 2015/16	972	201	76	27	23	33	25	1357	14
Average Debt 2016/17	1551	104	68	49	16	21	32	1839	58
30 June 2017 – none LA's	378	50	37	23	14	9	31	542	
30 June 2017 – other LA's	137	0	26	3	0	0	0	166	
30 Sept 2017 – none LA's	825	99	30	23	21	9	31	1038	
30 Sept 2017 – other LA's	186	32	0	0	3	0	0	221	
31 Dec 2017 – none LA's	395	56	31	21	14	8	22	547	
31 Dec 2017 – other LA's	138	1	0	0	3	0	0	142	
31 March 2018 – none LA's	728	44	47	12	20	9	22	882	
31 March 2018 – other LA's	339	1	0	0	3	0	0	343	
Average Debt 2017/18	781	71	43	21	19	9	26	970	11
30 June 2018 – none LA's	438	39	45	20	21	7	23	593	
30 June 2018 – other LA's	822	82	0	0	0	3	0	904	
30 Sept 2018 – none LA's	630	47	29	14	6	3	22	751	
30 Sept 2018 – other LA's	750	5	0	0	0	3	0	758	
31 Dec 2018 – none LA's	417	47	24	17	6	2	23	536	
31 Dec 2018 – other LA's	55	1	0	0	0	3	0	59	
31 March 2019 – none LA's	132	34	14	26	5	15	27	253	
31 March 2019 – other LA's	164	0	0	0	0	3	0	167	
Average Debt 2018/19	852	64	112	19	9	10	24	1090	41
30 June 2019 – none LA's	629	42	11	28	10	7	21	748	
30 June 2019 – other LA's	177	0	0	0	0	3	0	180	
30 Sept 2019 – none LA's	969	41	20	26	11	5	21	1,093	
30 Sept 2019 – other LA's	153	13	0	0	0	0	3	169	
31 Dec 2019 – none LA's	0	0	0	0	0	0	0	0	
31 Dec 2019 – other LA's	0	0	0	0	0	0	0	0	
31 March 2020 – none LA's	0	0	0	0	0	0	0	0	
31 March 2020 – other LA's	0	0	0	0	0	0	0	0	
Average Debt 2019/20	964	48	16	27	10	7	23	1,095	(1)

APPENDIX 1: TABLE 2

Aged Debt Reporting – Overpaid Housing Benefits

Debt Outstanding as at	Current Debt	90 to 365 days	1 to 2 years	2 – 3 years	3 – 4 years	4 – 5 years	Over 5 years	Total	Write offs
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Average Debt 2014/15	137	211	201	191	145	81	150	1,116	19
Average Debt 2015/16	182	336	263	172	160	133	209	1,445	76
Average Debt 2016/17	173	332	346	203	123	128	241	1,546	144
30 June 2017	134	355	357	232	140	112	255	1,585	
30 September 2017	153	321	333	242	149	96	294	1,588	
31 December 2017	132	303	292	270	174	95	291	1,557	
31 March 2018	144	292	307	280	165	118	291	1,597	
Average Debt 2017/18	141	318	322	256	157	105	283	1,582	89
30 June 2018	125	285	293	275	184	122	313	1,597	
30 September 2018	138	267	288	256	189	132	338	1,608	
31 December 2018	98	261	299	228	209	154	340	1,589	
31 March 2019	56	237	285	251	223	143	367	1,561	
Average Debt 2018/19	104	263	291	253	201	138	340	1,589	38
30 June 2019	80	185	278	245	225	154	395	1,562	
30 September 2019	52	147	278	244	221	158	412	1,512	
31 December 2019	0	0	0	0	0	0	0	0	
31 March 2020	0	0	0	0	0	0	0	0	
Average Debt 2019/20	66	166	278	244	223	156	404	1,537	0

HRA total Indebtedness

Debt Outstanding as at	Total	Write Offs in Year
	£000	£000
Average Debt 2014/15	2,359	143
Average Debt 2015/16	2,203	266
Average Debt 2016/17	2,023	178
30 June 2017	2,171	
30 September 2017	2,227	
31 December 2017	2,139	
31 March 2018	1,577	
Average Debt 2017/18	2,028	203
30 June 2018	1,921	
30 September 2018	2,118	
31 December 2018	1,715	
31 March 2019	1,474	
Average Debt 2018/19	1,807	162
30 June 2019	1,810	
30 September 2019	2,047	
31 December 2019	0	
31 March 2020	0	
Average Debt 2019/20	1,928	(1)

APPENDIX 1: TABLE 4**SUMMARY OF PROVISION FOR DOUBTFUL DEBTS 2019/20**

	General Fund Sundry Debtors	Over Paid Housing Benefit	HRA Rents	Total
	£000's	£000's	£000's	£000's
Balance B/Fwd	(105)	(1,287)	(836)	(2,228)
Write offs in current financial year	(1)	0	(1)	(2)
Actual increase in provision	(20)	(0)	(0)	(20)
Provision C/fwd	(126)	(1,287)	(837)	(2,250)
Current Debt position	1,095	1,537	1,928	4,560
Percentage Coverage	11.5%	83.7%	43.4%	49.3%

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

27 November 2019

<p>Evaluate the Effectiveness of the Audit and Corporate Governance Scrutiny Committee</p>

Report of the Head of Resources and Revenues and Section 151 Officer

This report is public

Purpose of the Report

- To present for members' information CIPFA's "Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition" and to enable the Committee to undertake a self- assessment.

1 Report Details

1.1 The above publication sets out CIPFA's guidance on the function and operation of audit committees in local authorities and represents best practice for audit committees throughout the UK. This guidance replaces the previous 2013 guidance.

1.2 The guidance emphasises the role and importance of an Audit Committee:

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

1.3 The guidance also covers:

- CIPFA's Position Statement : Audit Committees in Local Authorities and Police
- The purpose of Audit Committees
- The core functions of an Audit Committee
- Possible wider functions of an Audit Committee
- Independence and Accountability

- Membership and effectiveness

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

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

2 Conclusions and Reasons for Recommendation

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

3 Consultation and Equality Impact

Consultation

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

Equalities

3.2 There are no direct implications arising from this report.

4 Alternative Options and Reasons for Rejection

4.1 The report is for information.

5 Implications

5.1 Finance and Risk Implications

Financial

There are no direct implications arising from this report.

Risk

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

5.2 Legal Implications including Data Protection

There are no direct implications arising from this report.

5.3 Human Resources Implications

There are no direct implications arising from this report.

6 Recommendations

- 6.1 That the Audit and Corporate Governance Scrutiny Committee note the CIPFA guidance for Local Authority Audit Committees as detailed at Appendix 1 of the report.
- 6.2 That the Audit and Corporate Governance Scrutiny Committee undertake the self-assessment in Appendix 2 of the report.
- 6.3 That the completed self-assessment is reviewed and if necessary, an action plan be presented to a future meeting of the Audit and Corporate Governance Scrutiny Committee.

7 Decision Information

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

8 Document Information

Appendix No	Title
1	Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition
2	Audit Committee Self Assessment
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Jayne Dethick – Head of Finance & Resources & S151 Officer	7078

audit committees

Practical Guidance for
Local Authorities and Police
2018 Edition



CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, in major accountancy firms, and in other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA shows the way in public finance by standing up for sound public financial management and good governance.

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audit committees

Practical Guidance for
Local Authorities and Police
2018 Edition

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Thanks also to the audit committee members who have attended our training courses for providing their insight into the challenges, frustrations and rewards of being an audit committee member. I hope that this publication can support you in undertaking your important work.

A handwritten signature in black ink, reading "Diana Melville". The script is cursive and fluid, with the first name "Diana" and last name "Melville" clearly distinguishable.

Diana Melville

Governance Advisor, CIPFA

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CHAPTER 1

Introduction

This publication sets out CIPFA's guidance on the function and operation of audit committees in local authorities and police bodies, and represents best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales.

This publication incorporates *CIPFA's Position Statement: Audit Committees in Local Authorities and Police* (2018) ('the Position Statement'), which sets out CIPFA's view of the role and functions of an audit committee and replaces the previous 2013 Position Statement. Throughout the Position Statement the terms 'authority' and 'authorities' are used to include police and crime commissioners (PCCs) and chief constables as well as local authorities and fire and rescue authorities.

The Position Statement emphasises the importance of audit committees being in place in all principal local authorities and police bodies. It also recognises that audit committees are a key component of governance.

The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. In police bodies 'those charged with governance' are the PCC and the chief constable.

Audit committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance. The way in which an audit committee is organised will vary depending on the specific political and management arrangements in place in any organisation. This guidance therefore explores how audit committees relate to organisations' different arrangements for managing and governing themselves.

Audit committees in local authorities and police bodies are necessary to satisfy the wider requirements for sound financial management and internal control. For example in England, the [Accounts and Audit \(England\) Regulations 2015](#) state that a local authority is responsible "for a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk". In addition, in England, Section 151 of the [Local Government Act 1972](#) requires every local authority to "make arrangements for the proper administration of its financial affairs".

Regardless of the specific legislative or regulatory framework, the chief financial officer (CFO) has overarching responsibility for discharging the requirement for sound financial management. To be truly effective, the CFO requires an effective audit committee to provide support and challenge. An essential role for the audit committee is to oversee internal audit,

helping to ensure that it is adequate and effective. Both these elements are now enshrined in the [Public Sector Internal Audit Standards](#) (PSIAS) and the supporting [Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards](#) (LGAN).

There have been a number of significant developments in governance and audit practice since 2013 which have emphasised the importance of the audit committee. Key developments include:

- the new [Delivering Good Governance in Local Government: Framework](#) (CIPFA/Solace, 2016)
- updates to the PSIAS in 2016 and 2017
- the [Code of Practice on Managing the Risk of Fraud and Corruption](#) (CIPFA, 2014).

Legislation has also had an impact, in particular the [Local Audit and Accountability Act 2014](#), which introduced changes to the appointment of external auditors. The new combined authorities must also establish an audit committee in accordance with statutory regulations. For police bodies, the operation of joint audit committees supporting both the PCC and the chief constable have now completed a full term and further changes are on the horizon.

The [Policing and Crime Act 2017](#) enables a PCC (following local consultation and approval from the secretary of state) to take on the governance of its local fire and rescue service(s) to become the fire and rescue authority, known as a police and crime commissioner fire and rescue authority (PCC FRA). This would be a separate legal entity from the PCC.

The PCC FRA would be a corporation sole and a fire and rescue authority. There would therefore be the need for appropriate audit committee arrangements. Guidance on this is expected to be included in the [Financial Management Code of Practice for the Police Forces of England and Wales](#) (Home Office, 2013 – due to be updated in 2018). The aim of this publication is to support fire and rescue authority and police audit committees in performing effectively.

Best practice dictates that governance, risk management and strong financial controls be embedded in the daily and regular business of an organisation. The existence of an audit committee does not remove responsibility from senior managers, members and leaders, but provides an opportunity and resource to focus on these issues. For police audit committees, there is a requirement to have independent members on the audit committee and Welsh authorities and English combined authorities must also include at least one independent member. CIPFA considers that this is in line with good practice. In establishing their audit committees, other authorities should recognise the need to demonstrate good governance principles and independence from the executive and other political allegiances.

This guidance is applicable to all principal local authorities and fire and rescue authorities in the UK, and to the independent audit committees established to support PCCs and chief constables. Where there is specific legislation or guidance relevant for one sector or devolved government, this has been highlighted in the publication.

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

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

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

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

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

CHAPTER 3

The purpose of audit committees

Extract from the Position Statement

- 1 Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high level resource to support good governance and strong public financial management.
- 2 The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

The overall aim of good governance is to ensure that:

- resources are directed in accordance with agreed policy and according to priorities
- there is sound and inclusive decision making
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

Governance is defined in [Delivering Good Governance in Local Government: Framework](#) (CIPFA/Solace, 2016) as follows:

- *Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.*
- *To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.*

Good governance is ultimately the responsibility of the governing body, as well as those with leadership roles and statutory responsibilities in the organisation, including the chief executive, the CFO and the monitoring officer. In local government, the governing body is the full council or authority and both the PCC and chief constable are responsible as a corporation sole.

The audit committee should play a key role in supporting the discharge of those responsibilities by providing a high-level focus on audit, assurance and reporting. In local government, this committee may be delegated some governance responsibilities by the council; the police audit committee must remain an advisory body to the PCC and the chief constable. New policing arrangements were established by the [Police Reform and Social Responsibility Act 2011](#). Guidance for police audit committees is contained in the [Financial](#)

[Management Code of Practice for the Police Forces of England and Wales](#) (Home Office, 2013 – due to be updated in 2018).

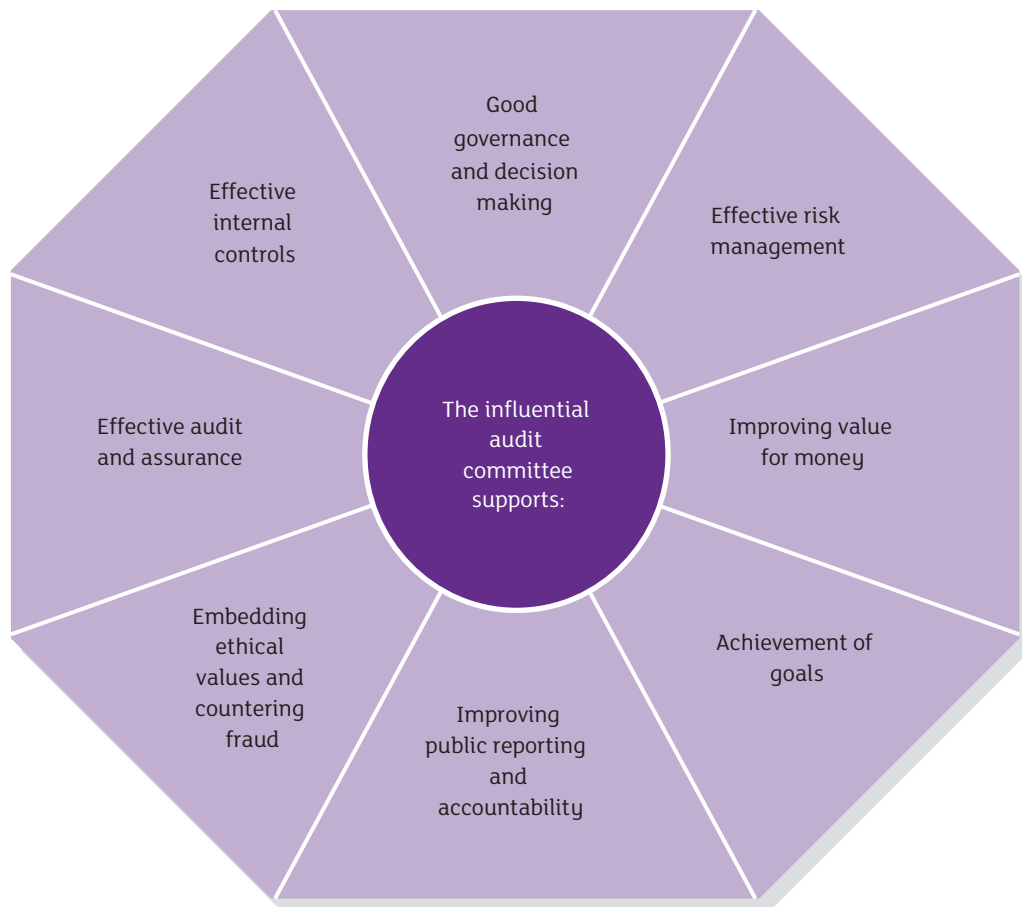
As a key component of an organisation's governance arrangements, the audit committee has the potential to be a valuable resource to the whole authority. Where it operates effectively, an audit committee adds value to its authority by supporting improvement across a range of objectives. To achieve wide-ranging influence, an audit committee will need commitment and energy from the membership together with support and openness from the authority.

The principal areas where the committee can influence and add value are:

- promoting the principles of good governance and their application to decision making
- raising awareness of the need for sound internal control and contributing to the development of an effective control environment
- supporting arrangements for the governance of risk and for effective arrangements to manage risks
- advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively
- reinforcing the objectivity, importance and independence of internal audit and external audit and therefore the effectiveness of the audit functions
- aiding the achievement of the authority's goals and objectives through helping ensure appropriate governance, risk, control and assurance arrangements
- supporting the development of robust arrangements for ensuring value for money
- helping the authority to implement the values of ethical governance, including effective arrangements for countering risks of fraud and corruption
- promoting measures to improve transparency and accountability and effective public reporting to the authority's stakeholders and the local community.

The influence that an effective audit committee is able to have in these areas is set out in Figure 3.1 below.

Figure 3.1: The influential audit committee



Source: Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013)

CIPFA's view is that audit committee functions can be most effectively delivered by a dedicated audit committee. Such a committee provides a key resource to support the implementation of good governance standards. It is possible for the functions of an audit committee to be undertaken by other bodies, but a dedicated resource is likely to be more knowledgeable and effective, having more time to focus on these important issues.

The core functions of an audit committee

Extract from the Position Statement

- 4 The core functions of an audit committee are to:
- be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives
 - in relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and professionalism
 - support the effectiveness of the internal audit process
 - promote the effective use of internal audit within the assurance framework
 - consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations
 - monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption
 - consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
 - support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process
 - review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

INTRODUCTION

The core functions that audit committees should undertake reflect both standard practice for audit committees across all sectors and specific legislative and professional standards requirements for the local authority and the police sectors. Reconciling these sometimes different requirements leads to audit committees in local authorities and police bodies having the distinctive features outlined in this guidance.

Principal regulations affecting the functions of the audit committee are outlined in Appendix A, and a suggested terms of reference for the committee is included in Appendix B. The remainder of this chapter provides further background and explanation for the audit committee's core functions.

GOOD GOVERNANCE AND THE ANNUAL GOVERNANCE STATEMENT

Audit committees provide essential support for the approval of the annual governance statement (AGS) and for ensuring that good governance is embedded throughout the authority's day-to-day activities rather than being limited to a once-a-year reporting process. The audit committee is able to support this approach by addressing governance principles in the course of its regular business.

[Delivering Good Governance in Local Government: Framework](#) (CIPFA/Solace, 2016) ('the Framework') sets the standard for governance in UK local government bodies. The Framework is supported by guidance notes for each sector as follows:

- [Delivering Good Governance in Local Government: Guidance Notes for English Authorities](#) (CIPFA/Solace, 2016)
- [Delivering Good Governance in Local Government: Guidance Notes for Scottish Authorities](#) (CIPFA/Solace, 2016)
- [Delivering Good Governance in Local Government: Guidance Notes for Welsh Authorities](#) (CIPFA/Solace, 2016).
- [Delivering Good Governance: Guidance Notes for Policing Bodies in England and Wales](#) (CIPFA, 2016).

The Framework is principles based and informs the approach to good governance adopted by PCCs and chief constables as well as local authorities and fire and rescue authorities. CIPFA recommends that each authority develops a local code of governance setting out how it applies the principles.

Legislation requires local authorities, fire and rescue authorities and police bodies to prepare an AGS and to report publicly on the effectiveness of governance and control (see Appendix A for details of the legislative requirements). The AGS should be reviewed and then approved by a body of the authority prior to being signed by the leading member and the chief executive of an authority and by the PCC and chief constable. Typically, audit committees undertake the role of reviewing the AGS prior to approval. Police audit committees should review the AGS of both the PCC and the chief constable.

Statutory and professional guidelines will determine when the AGS goes before the audit committee for review. For example, English local authorities under the [Accounts and Audit Regulations 2015](#) must approve and publish the AGS by 31 July at the latest for the financial year starting 2017 and thereafter. CIPFA recommends that the AGS is first reviewed by members of the audit committee at an earlier stage to allow comments and contributions to be made. The AGS must be current at the time it is published, so the audit committee should review it before final approval.

To provide a meaningful review of the AGS, the audit committee should be in a position to draw on knowledge of the governance arrangements as they are established and on

assurances of how they have operated in practice during the course of the year. The audit committee should undertake the following activities to discharge their responsibilities:

- review the local code of governance and any changes to the arrangements in the year (note it is not the responsibility of the audit committee to establish any local code, but it should be consulted)
- ensure that the AGS is underpinned by a framework of assurance (see later section for more details on assurance planning)
- over the course of the year, receive reports and assurances over the application of the governance arrangements in practice
- monitor implementation of action plans or recommendations to improve governance arrangements
- consider how the organisation applies governance principles in practice during the committee's review of other agenda items.

Given its role in overseeing the local code of governance and the AGS, the audit committee has an opportunity to promote the implementation of the principles of good governance across the authority: to make things better in the future, not just reviewing what happened in the past. For example, the committee may make recommendations for action to senior management or refer matters to other committees. The limits to the decision-making powers of audit committees are considered in more depth in Chapter 6.

INTERNAL AUDIT

The audit committee has a clear role in relation to oversight of the authority's internal audit function. From 1 April 2013, internal auditors throughout local and central government and health have had to follow the PSIAS and the LGAN. All principal local authorities and other relevant bodies subject to the [Accounts and Audit Regulations 2015](#), the [Accounts and Audit \(Wales\) Regulations 2014](#), the [Local Authority Accounts \(Scotland\) Regulations 2014](#) and the [Local Government \(Accounts and Audit\) Regulations \(Northern Ireland\) 2015](#) must make provision for internal audit in accordance with the PSIAS and LGAN.

The PSIAS include the Mission of Internal Audit, Code of Ethics, Definition of Internal Auditing and the Core Principles for the Professional Practice of Internal Auditing, and together these highlight the importance of effective internal audit to those in the organisation who are responsible for governance.

In its adoption of the PSIAS and LGAN, each authority or police body should consider which committee or individual is the most appropriate to fulfil the role of the board in relation to internal audit. In determining the functional reporting arrangements of internal audit, the authority will need to bear in mind the need to preserve the independence and objectivity of internal audit as required by the PSIAS. It is for these reasons that in the LGAN, CIPFA expressed an expectation that the audit committee would fulfil the role of the board in the majority of instances. Since police audit committees must remain advisory bodies, their role will be to support and review the functional reporting arrangements.

It is a requirement of the PSIAS that the terms of reference of the audit committee should reflect the functional reporting arrangements of internal audit to the audit committee as set

out in the internal audit charter, which is the formal document that defines internal audit's purpose, authority and responsibility.

The role of the audit committee in relation to internal audit is to:

1. oversee its independence, objectivity, performance and professionalism
2. support the effectiveness of the internal audit process
3. promote the effective use of internal audit within the assurance framework.

Within police bodies this is an advisory role for the audit committee.

The specific activities that these three objectives lead to are considered below.

Oversee independence, objectivity, performance and professionalism

The following activities are the functional reporting arrangements set out in the PSIAS to ensure the organisational independence of internal audit. According to the specific internal audit charter of the authority, the audit committee could have a role to:

- review or approve the following:
 - the internal audit charter
 - the risk-based internal audit plan
 - the internal audit budget and resource plan
- receive confirmation of the organisational independence of the internal audit activity
- consider the appointment and removal of the head of internal audit or the award of a contract for internal audit services
- make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations
- approve and periodically review any safeguards put in place to limit impairments to independence and objectivity where the head of internal audit has been asked to undertake any additional roles/responsibilities outside of internal auditing
- receive the annual report, which includes:
 - the annual opinion on the overall adequacy and effectiveness of governance, risk management and control
 - a summary of the work on which internal audit has based the opinion
 - a statement on conformance with the PSIAS and the LGAN
 - the results of the quality assurance and improvement programme, including specific detail as required in the PSIAS
- discuss with the head of internal audit the form of the external assessment of internal audit and the qualifications and independence of the assessor.

The head of internal audit or chief internal auditor (referred to in the PSIAS and the LGAN as 'chief audit executive') must have free and unfettered access to the chair of the audit committee. In addition, the chair of the audit committee may serve as sponsor for the external assessment, which forms part of the quality assurance and improvement programme (QAIP) at least once every five years.

Support the effectiveness of the internal audit process

The audit committee has an important role to play in supporting the process of internal audit and outputs from audit work. The following activities form a core part of this:

- receiving updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
- receiving communications from the head of internal audit on the internal audit activity's performance relative to its plan and other matters
- giving approval to internal audit for any significant additional consulting services not already included in the audit plan, prior to internal audit accepting an engagement
- receiving reports on instances where the internal audit function does not conform to the PSIAS or LGAN and considering whether the non-conformance is sufficiently significant that it must be included in the AGS
- overseeing the relationship of internal audit with other assurance providers and with external audit and any inspectorates
- receiving regular reports on the results of the QAIP, including the external assessment.

Promote the effective use of internal audit within the assurance framework

The audit committee should make best use of the internal audit resource within the assurance framework. In particular, the audit committee should seek confirmation from internal audit that the audit plan takes into account the requirement to produce an annual internal audit opinion that can be used to inform the AGS. Specific activities will include:

- approving (but not directing) the risk-based plan, considering the use made of other sources of assurance
- receiving reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority
- when considering the AGS, taking into account internal audit's opinion on the overall adequacy and effectiveness of the authority's framework of governance, risk management and control.

Those audit committees that operate under the Local Authority Accounts (Scotland) Regulations 2014 and the Accounts and Audit (Wales) Regulations 2014 must conduct a review of the effectiveness of their internal audit annually (Appendix A includes details of the relevant regulations). The audit committee should take into account internal audit's QAIP when conducting such a review.

The [CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations](#) (CIPFA, 2010 – due to be updated in 2018) states that engagement between the head of internal audit and the audit committee is a crucial component of delivering an effective internal audit service.

Audit committee members should keep up to date with changes affecting the professional practices and expectations of internal auditors so that they can provide the necessary support.

RISK MANAGEMENT

In determining the audit committee's responsibilities towards risk management, authorities should have regard to the responsibilities of other committees such as scrutiny committees and the specific responsibilities of those charged with governance in relation to risk management. Where a local authority establishes a separate risk committee, then its roles and responsibilities need to be taken into account in determining the role of the audit committee. Police audit committees are directed in the [Financial Management Code of Practice for the Police Forces of England and Wales](#) (Home Office, 2013 – due to be updated in 2018) to advise the PCC and the chief constable on the adoption of appropriate risk management arrangements. Welsh local authority and English combined authority audit committees are required to review and assess risk management arrangements.

Assurance over risk management will be a key element underpinning the AGS. The audit committee also needs a good understanding of the level of assurance risk management provides when it reviews the risk-based internal audit plan or reviews other assurances on areas of risk.

The role of the audit committee in relation to risk management covers three major areas:

- First, assurance over the governance of risk, including leadership, integration of risk management into wider governance arrangements and the top level ownership and accountability for risks. The specific actions this requires include:
 - overseeing the authority's risk management policy and strategy and their implementation in practice
 - overseeing the integration of risk management into the governance and decision-making processes of the organisation
 - ensuring that the AGS is an adequate reflection of the risk environment.
- Second, keeping up to date with the risk profile and the effectiveness of risk management actions by:
 - reviewing arrangements to co-ordinate and lead risk management. An example of such an arrangement is the existence of a group to examine, challenge and support the risk assessment process to ensure consistency
 - reviewing the risk profile and keeping up to date with significant areas of strategic risks and major operational or major project risks and seeking assurance that these risks are managed effectively and owned appropriately
 - seeking assurance that strategies and policies are supported by adequate risk assessments and that risks are being actively managed and monitored
 - following up risks identified by auditors and inspectors to ensure they are integrated into the risk management process.
- Third, monitoring the effectiveness of risk management arrangements and supporting the development and embedding of good practice in risk management by:
 - overseeing any evaluation or assessment such as a risk maturity assessment or risk benchmarking
 - reviewing evaluation or assurance reports on risk management and monitoring progress on improvement plans

- monitoring action plans and development work in the field of risk management practice.

Flexibility in the audit committee agenda to adapt to new or heightened risks will ensure that the committee is responsive and focused on priority issues.

ASSURANCE FRAMEWORKS AND ASSURANCE PLANNING

Authorities may have developed a description or diagram explaining what assurances exist and who is responsible for them. Such descriptions may be described as an assurance framework or assurance map. Typically, they outline key areas of the assurances required by the audit committee, such as on governance, risks and controls, and they identify the assurance providers. These may include internal audit, risk management advisors and management. The audit committee should support initiatives to identify and evaluate assurance in this way.

Whether or not there is a formally set-down assurance framework, the audit committee has a responsibility to understand what assurance is available to support the AGS and to enable the committee to meet its terms of reference. The committee should be seeking to ensure that assurance is planned and delivered with the following objectives in mind:

- clarity of what assurance is required
- clear allocation of responsibility for providing assurance
- avoiding duplication, bearing in mind the differing objectives of assurance activities
- improving the efficiency and cost effectiveness of assurance
- obtaining assurance of appropriate rigour and independence across a range of assurance providers.

Having a clear assurance framework in place will assist the committee in a number of areas. It supports the annual review of effectiveness for the AGS. It also supports the approval of the internal audit risk-based plan as it enables the committee to identify the extent to which it will rely on internal audit for its assurance requirements. In reviewing assurance arrangements, the committee should bear in mind that the assurance process has a cost to the organisation and it should therefore be proportional to the risk.

VALUE FOR MONEY AND BEST VALUE

Making best use of resources is a key objective for all local authorities and it is part of the Framework. One of the behaviours and actions that underpin Principle C of the Framework is “delivering defined outcomes on a sustainable basis within the resources that will be available”.

Under Sections 2, 3 and 35 of the [Police Reform and Social Responsibility Act 2011](#), the chief constable has statutory responsibility to secure value for money (VfM) and the PCC to hold the chief constable to account for this duty. The audit committee’s role is to support both the PCC and chief constable to fulfil their responsibilities through the assurance process.

Assurance should focus on both the arrangements to ensure and the progress in achieving VfM. An authority should have in place arrangements to obtain assurance over its performance

against VfM objectives and strategies. The role of the audit committee will need to be determined in the context of what other committees may be doing. For example, a scrutiny committee may oversee service reviews that consider performance against VfM objectives.

The role of the audit committee is most likely to focus on whether the authority's overall approach to VfM is in line with governance objectives and to receive assurances on this to underpin the AGS. The Framework emphasises that the AGS should be focused on outcomes and VfM.

One specific area of activity for the committee will be consideration of the external auditor's wider work as set out in the codes of audit practice and other guidance adopted by national audit bodies as follows:

- **England** – statutory value for money conclusion as defined by the National Audit Office
- **Scotland** – periodic reviews of best value
- **Wales** – Wales Audit Office annual improvement reports
- **Northern Ireland** – review of arrangements for the use of resources.

Where the external auditor has issued a qualified conclusion on VfM, the audit committee should ensure there is a robust action plan to address the issues raised. In addition, the audit committee should consider what other assurances are available in relation to identified VfM risks and highlight areas for improvement.

COUNTERING FRAUD AND CORRUPTION

Local authorities have responsibilities for the effective stewardship of public money and for safeguarding against losses due to fraud and corruption. Effective counter fraud arrangements also link to the ethical standards for members and officers that the public expects.

The audit committee should have oversight of the authority's counter fraud strategy, assessing whether it meets recommended practice and governance standards and complies with legislation such as the [Bribery Act 2010](#).

The [Code of Practice on Managing the Risk of Fraud and Corruption](#) (CIPFA, 2014) ('the Code') sets out the counter fraud standards for public sector organisations; sector-specific strategies such as [Fighting Fraud and Corruption Locally](#) should also be considered, along with the [CIPFA Fraud and Corruption Tracker](#) (CFaCT) and [Integrity Matters](#) (HMIC, 2015). The committee should understand the level of fraud risk to which the authority is exposed and the implications for the wider control environment.

Oversight of counter fraud plans, resources and their effectiveness are key areas for obtaining assurance. Specific actions should include:

- reviewing the counter fraud strategy and considering whether it meets recommended practices
- championing good counter fraud and anti-corruption practice to the wider organisation
- reviewing the fraud risk profile and estimate of fraud losses or potential harm to the organisation and its local community

- reviewing the annual counter fraud plan of activity and resources, seeking assurance that it is in line with the strategy and fraud risk profile
- monitoring the performance of the counter fraud function
- overseeing any major areas of fraud identified and monitoring action plans to address control weaknesses.

The CIPFA guidance on the AGS included in the Framework recommends that the adequacy of counter fraud arrangements are evaluated and reported on in the AGS with reference to the Code. The audit committee should have sight of the assurances underpinning this assessment and can play an important role in supporting the development of effective counter fraud and corruption practice. The audit committee may also refer to the Internal Audit Standards Advisory Board's guidance [Internal Audit's Role in Counter Fraud](#) (2017), which sets out internal audit's responsibility to provide assurance to the organisation on how it manages fraud risk.

EXTERNAL AUDIT

Appointment of auditors

Audit committees have a role to play in relation to the appointment of external auditors. This role varies between England, Scotland, Wales and Northern Ireland, primarily due to the change in appointment procedures for English authorities with the closure of the Audit Commission and the introduction of new local audit arrangements under the [Local Audit and Accountability Act 2014](#).

In Scotland, Wales and Northern Ireland, national audit agencies are responsible for the audits of local bodies. In England, authorities have the option to appoint auditors themselves via means of an auditor panel (individually or jointly with other bodies) or through Public Sector Audit Appointments (PSAA), which has been established by the Local Government Association (LGA) and specified as an 'appointing person' under the 2014 Act. For further information on auditor panels and the role of the audit committee, see [Guide to Auditor Panels](#) (CIPFA, 2015).

The audit committee's role in appointment is generally to express an opinion on the selection and rotation of the external auditor through whichever method is applicable for the organisation. The audit committee's objective is to support auditor independence and effective arrangements and relationships with the auditors.

In England, for all opted-in bodies, PSAA appoints the auditor following consultation with the body. Otherwise, the audit committee will work alongside the auditor panel which will oversee the local appointment process. Where the audit committee members meet the requirements of an auditor panel, as defined in regulations supporting the 2014 Act, then the committee is able to operate as an auditor panel itself and make recommendations on the appointment of the local auditor. Regard must be had for the 2014 Act and regulations if the committee is nominated as an auditor panel.

Monitoring the external audit process

The audit committee's role in relation to the external audit process has three principal aspects:

1. providing assurance that the external auditor team maintains independence following its appointment
2. receiving and considering the work of external audit
3. supporting the quality and effectiveness of the external audit process.

Supporting independence

The independence of auditors is critical for confidence in the audit opinion and audit process. For this reason, there is extensive [guidance](#) from the Financial Reporting Council (FRC) to external auditors on the need to safeguard independence and objectivity. These rules apply to all auditors across all sectors. In addition, the national audit bodies issue guidance to auditors on safeguarding integrity, objectivity and independence. It is an important role for an audit committee to help guard against threats to independence and to satisfy itself that the external auditor's independence is safeguarded. The critical issue of independence will be considered when the external auditor is appointed but the audit committee's role will be to monitor on an annual basis or more often when required.

Each year the external auditor will disclose to the committee an assessment of whether it is independent. This disclosure should include any significant facts that could impact, or be seen to impact, on independence and objectivity, together with any safeguards put in place. Usually this disclosure is included in the audit plan. The audit committee should use this opportunity to discuss with the external auditor their assessment of threats to independence and any safeguards.

Understanding the potential threats to external independence

Self-interest threat

Where there are or perceived to be financial or other interests that could impact on the actions of the external auditor. The potential fees from provision of non-audit or additional services to the audited body could fall within this category.

Self-review threat

Where the audit could include review of work performed, services or advice provided by the same firm or team.

Management threat

Where the auditor has become involved in or associated with decision making of the audited body.

Advocacy threat

Where the auditor has taken on an advocacy role for the audited body or supports the management in an adversarial or promotional context.

Familiarity (or trust) threat

Where familiarity or close personal relationships mean that the external auditor is insufficiently questioning or accepting in forming audit judgements.

Intimidation threat

When the conduct of the external auditor is influenced by fear or threats by individuals in the audited body.

Full details of the threats are set out in the [Revised Ethical Standard 2016](#) (FRC, 2016).

The audit committee should seek information from the external auditor on its policies and processes for maintaining independence and monitoring compliance. It should also satisfy itself that no issues with compliance with the ethical standard have been raised by the contract monitoring undertaken by PSAA or the auditor panel (in England) or from audit quality reviews by the FRC. With regard to non-audit services, audit committees should monitor the approval of non-audit work and, in England, take into account the oversight of either PSAA or the auditor panel as appropriate.

Receiving and considering the work of external audit

The committee should receive the planned work programme to support the opinion and receive reports following the completion of external audit work. Where external audit make recommendations, the audit committee should discuss the action to be taken with the appropriate managers and monitor the agreed action plan. The committee should contribute to the authority's response to the annual audit letter.

Supporting the quality and effectiveness of the external audit process

The audit committee should support the quality and effectiveness of the external audit process through:

- understanding and commenting on external audit plans, assessment of risks and proposed areas of focus, and deployment of audit effort in response to identified risks
- considering the effectiveness of the external audit process, including:
 - whether the external auditor has a good understanding of the authority
 - how the external auditor has responded to areas of audit risk
 - actions taken to safeguard independence and objectivity
 - feedback from key people such as the responsible financial officer and the head of internal audit
- reporting to the full council, or the PCC, or the chief constable or other body as appropriate on the results of its considerations.

In monitoring the quality of the external audit provision, the audit committee should be briefed on any relevant issues around quality that emerge from the regulation of external audit, for example, the quality reports from PSAA and the FRC.

There should be an opportunity for the audit committee to meet privately and separately with the external auditor, independent of the presence of those officers with whom the auditor must retain a working relationship.

Inspection reports

Reports from inspection agencies can be a useful source of assurance about the authority's financial management and governance. The audit committee should have access to inspection reports as a source of assurance and compare the findings with any relevant internal audit and external audit reports. Inspection reports will need to be actioned by the corporate or appropriate departmental management team, but the audit committee has a role in monitoring such action to ensure that a consistent approach is adopted and that the various agencies have one recognisable point of entry into the authority.

FINANCIAL REPORTING

Local authority financial statements should follow the professional practices set down in the *Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA/LASAAC). The responsible financial officer must sign the statements to confirm that they have been properly prepared and are ready for audit prior to the commencement of the period for the exercise of public rights. For English authorities and policing bodies, the latest date by which the statements must be signed off is likely to be 31 May, as the 30 working day period for the exercise of public rights must include the first ten days in June.

Under the current regulations, Scottish, Welsh and Northern Irish authorities must all ensure that the financial statements are signed off by the CFO by 30 June. The [Accounts and Audit \(Wales\) \(Amendment\) Regulations 2018](#) require preparation and publication to be completed to an earlier timetable with effect from years ending 31 March 2019 onwards. Authorities will formally approve the financial statements after the completion of the external audit.

The date by which the statements must be published is set down by government regulations. For 2017/18 onwards, the latest date for publication is 31 July for English authorities. Scottish and Welsh authorities must publish by 30 September and Northern Irish authorities must

publish by 31 October. CIPFA recommends that it is good practice for the accounts and the AGS to be reviewed by the audit committee prior to the commencement of the external audit.

Audit committees may undertake a review of the statements and satisfy themselves that appropriate steps have been taken to meet statutory and recommended professional practices. Their work could include:

- reviewing the narrative report to ensure consistency with the statements and the financial challenges and risks facing the authority in the future
- reviewing whether the narrative report is readable and understandable by a lay person
- identifying the key messages from each of the financial statements and evaluating what that means for the authority in future years
- monitoring trends and reviewing for consistency with what is known about financial performance over the course of the year
- reviewing the suitability of accounting policies and treatments
- seeking explanations for changes in accounting policies and treatments
- reviewing major judgemental areas, eg provisions or reserves
- seeking assurances that preparations are in place to facilitate the external audit.

[Understanding Local Authority Financial Statements](#) (CIPFA/LASAAC, 2016) includes a checklist of questions to ask about a local authority's statements that audit committee members may find particularly helpful. In keeping with its role as an advisory body, the audit committee should review the financial statements prior to approval.

Other committees in the governance structure might also scrutinise the authority's financial performance. Care should be taken to avoid duplication and maintain the focus of the audit committee on financial reporting and financial governance rather than on wider issues of performance and spending priorities.

PARTNERSHIP GOVERNANCE AND COLLABORATION AGREEMENTS

Authorities commonly have a wide range of partnership and collaborative arrangements, including strategic relationships with other public sector organisations, shared service arrangements, commercial relationships with private sector partners and a range of service delivery arrangements with community groups or social enterprises.

Authorities may also be the accountable body for local enterprise partnerships (LEPs). PCCs may be considering options for collaboration with other relevant emergency services under the [Policing and Crime Act 2017](#). Ensuring the adequacy of governance and risk management over such arrangements can be complicated, but it is very important as accountability for performance and stewardship of the public funds involved remains with the authority. For these reasons, the role of the audit committee in relation to these arrangements should be clearly defined.

The audit committee's role should be to consider the assurance available on whether the partnership or collaboration arrangements are satisfactorily established and are operating effectively. The committee should satisfy itself that the principles of good governance underpin the partnership arrangements. For example, the audit committee should seek

assurance that the authority has appropriate arrangements to identify and manage risks, ensure good governance and obtain assurance on compliance. The committee may also want to know what arrangements have been put in place to maintain accountability to stakeholders and ensure transparency of decision making and standards of probity are maintained.

Where an authority is developing new partnership or collaboration arrangements, the audit committee may wish to receive assurance over governance matters at the project stage and seek clarity over its own responsibilities in relation to the governance arrangements of the new service delivery organisation.

The audit committee should consider the coverage of assurances that underpin the AGS to make sure that partnerships are adequately covered. Where an organisation of which the authority is a partner does not have its own audit committee, then the audit committee could be nominated to undertake this role. This is most likely for the audit committee of the accountable body in order to support the CFO.

In addition to reviewing assurances over partnerships, the committee may choose to develop its own partnership arrangements with the audit committees of partner organisations. This could involve planning and co-ordinating agendas, or developing forums to share ideas or briefings. More established partnerships could lead to the development of a shared audit committee between partner authorities or a joint committee. Chapter 6 considers the implications of partnerships for audit committee independence and accountability.

GOVERNANCE AND ETHICAL VALUES

Public sector entities are accountable not only for how much they spend but also for the ways they use the resources with which they have been entrusted. This is at the heart of Principle A of the Framework:

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

With its core role in supporting good governance, support for the ethical framework of the authority is also important for the audit committee. In addition, public sector organisations have an overarching mission to serve the public interest in adhering to the requirements of legislation and government policies. This makes it essential that the entire entity can demonstrate the integrity of all its actions and has mechanisms in place that encourage and enforce a strong commitment to ethical values and legal compliance at all levels. As part of its review of governance arrangements, the audit committee should be satisfied that there are adequate arrangements to achieve this.

All authorities should have regard to the Seven Principles of Public Life, known as the Nolan Principles. To promote high standards of conduct, the Committee on Standards in Public Life has recommended that:

Ethical standards issues should be included as regular items on board agendas or formally delegated to audit and risk committees for referral to the board as appropriate. Risks associated with poor standards should be included in risk assessments, and, where appropriate, risk registers. Mitigating strategies should be developed and monitored.

Source: Standards Matter: A Review of Best Practice in Promoting Good Behaviour in Public Life (Committee on Standards in Public Life, 2013)

As part of the annual governance review, the audit committee should consider how effectively the Seven Principles of Public Life are supported.

Whistleblowing arrangements support the development of ethical conduct and greater transparency, and also help authorities ensure compliance with the [Public Interest Disclosure Act 1998](#). As part of the audit committee's oversight of the governance framework and assurances underpinning the AGS, the audit committee may wish to review the effectiveness of the whistleblowing arrangements.

Possible wider functions of an audit committee

Extract from the Position Statement

- 5** An audit committee can also support its authority by undertaking a wider role in other areas including:
- considering governance, risk or control matters at the request of other committees or statutory officers
 - working with local standards and ethics committees to support ethical values
 - reviewing and monitoring treasury management arrangements in accordance with [Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes](#) (CIPFA, 2017)
 - providing oversight of other public reports, such as the annual report.

CONSIDERING MATTERS AT THE REQUEST OF STATUTORY OFFICERS OR OTHER COMMITTEES

Occasionally the audit committee may be requested to consider a review of a service, a proposed policy or other similar matters. Such requests could come from another committee of the organisation or from one of the statutory officers. In scoping the terms of reference for a review, the committee should avoid taking on a scrutiny or policy role and ensure the matter relates to governance, risk or control. Examples where it may be helpful for the audit committee to assist could include:

- reviewing whether adequate governance, risk management or audit processes are in place in relation to a specific service or new policy area
- providing advice to the executive on possible risks or implications for good governance arising from a proposed course of action or decision.

In each case, the aim of the committee should be to make recommendations in line with its role set out in the Position Statement – advocating the principles of good governance and helping to ensure that there are appropriate governance, risk, control and assurance arrangements in place. Audit committee recommendations may support the advice or recommendations of the statutory officers but cannot override that advice.

ETHICS COMMITTEE AND STANDARDS COMMITTEE ROLES

The audit committee's primary role in relation to standards and ethical conduct is to satisfy itself that there are appropriate arrangements in place, particularly in support of the AGS. Under the [Localism Act 2011](#), English local authorities have a statutory duty to promote and maintain high standards of conduct and the audit committee should consider assurances on the discharge of this responsibility and be satisfied that there are arrangements in place. Occasionally the committee takes on a wider role, in the place of other committees. Specifically, there should be regard for the role and responsibilities of a standards committee, where there is one.

Where the local authority does have a standards committee, the lead on promoting high standards of conduct may be taken by that committee, and the most appropriate role for the audit committee would be to consider the effectiveness of the standards committee as part of the annual governance review. Where the audit committee takes on the responsibilities of the standards committee, there should be a clear distinction between the two roles and responsibilities in the terms of reference and meeting agendas.

Ethics in policing has received a lot of attention in the last few years with a number of reviews and new standards, including:

- the [Code of Ethics](#) (College of Policing, 2014)
- [Tone from the Top: Leadership, Ethics and Accountability in Policing](#) (Committee on Standards in Public Life, 2015)
- [Integrity Matters](#) (HMIC, 2016).

The establishment of an ethics committee to take the lead on this important area and to review and monitor practice is now regarded as best practice. In some policing areas these are separate committees, but in some areas the audit committees have taken on this responsibility.

There is no specific guidance on the operation of the ethics committee, but it is important to distinguish between the roles of the two committees. For the audit committee's governance responsibilities, it is appropriate for the committee to have an understanding of any current ethical risks and any initiatives to improve ethical behaviour within the force or PCC's office.

The audit committee should be satisfied that there are appropriate arrangements in place to support the committee's overview of governance and the AGS. The ethics committee's role will be to help establish and monitor those arrangements in practice, ensuring that the PCC and chief constable fulfill their statutory obligations. Where the audit committee is taking on wider ethics committee roles, then it should be clear within its terms of reference and meeting agendas how it separates the two roles.

TREASURY MANAGEMENT

[Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes](#) (CIPFA, 2017) requires all local authorities to make arrangements for the scrutiny of treasury management. CIPFA does not require the audit committee to undertake that role and a local authority may nominate another committee instead. CIPFA is aware, however,

that many authorities have nominated the audit committee to do this, and it is therefore appropriate to consider this activity as part of this guidance. The following clause from the Code should have been adopted by all local authorities and the appropriate body responsible for providing scrutiny nominated:

This organisation nominates (name of responsible body/committee) to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Where the audit committee has been nominated, then it should be aware that it needs to undertake a scrutiny role in accordance with the Code, in addition to any oversight of governance, risks and assurance matters relating to treasury management it would consider as an audit committee. It is not appropriate for the audit committee to undertake any of the other roles outlined in the Code clauses as these are executive and decision-making roles rather than a scrutiny role.

Where the committee is undertaking scrutiny then this is likely to involve the following actions:

- developing greater awareness and understanding of treasury matters among the committee members
- reviewing the treasury management policy and procedures to be satisfied that controls are satisfactory
- receiving regular reports on activities, issues and trends to support the committee's understanding of treasury management activities. Note that the committee is not responsible for the regular monitoring of activity under clause 3 of the Code so the purpose of receiving regular reports should be clear
- reviewing the treasury risk profile and adequacy of treasury risk management processes
- reviewing assurances on treasury management (for example, an internal audit report, external audit or other review).

Treasury management is a specialist area so it is likely that committee members will require training, guidance and support when undertaking scrutiny. Specific areas of knowledge and skills are identified in Appendix C.

CHAPTER 6

Independence and accountability

Extract from the Position Statement

- 3** Authorities and police audit committees should adopt a model that establishes the committee as independent and effective. The committee should:
- act as the principal non-executive, advisory function supporting those charged with governance
 - in local authorities, be independent of both the executive and the scrutiny functions and include an independent member where not already required to do so by legislation
 - in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
 - have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups
 - be directly accountable to the authority's governing body or the PCC and chief constable.
- 7** To discharge its responsibilities effectively the committee should:
- meet regularly – at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
 - include, as regular attendees, the CFO(s), the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required
 - have the right to call any other officers or agencies of the authority as required, while recognising the independence of the chief constable in relation to operational policing matters
 - report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.

INTRODUCTION

CIPFA is keen that each local authority or police body adopts an audit committee model that achieves its purpose and functions successfully. CIPFA's recommended best practice is intended to support the development of effective arrangements and should not be regarded merely as a compliance checklist.

For a local authority, in CIPFA's view, it is best practice for the audit committee to report directly to council rather than to another committee, as the council itself most closely matches the body of 'those charged with governance'. In the police sector, both the PCC and chief constable are separate corporations sole and so each will fulfil the role of 'those charged with governance'.

In establishing the audit committee within the governance structure of the authority, three key elements should be considered:

1. any statutory guidance applicable to the sector
2. independence from the executive and political allegiances
3. a practical assessment of 'what works' in the local context.

Each of these elements is considered in more detail in the following sections.

SECTOR AND DEVOLVED GOVERNMENT GUIDANCE

The local authority and police sectors are subject to differing regulations according to both sector and devolved national governments. Those affecting audit committees are set out in Appendix A. While there is broad similarity in the guidance across the UK, there are differences as a result of specific statutory guidance and regulations including:

- statutory requirements for audit committees in Wales
- statutory requirements for combined authorities to establish an audit committee
- statutory guidance underpinning the operation of police audit committees in England and Wales.

Local authorities in Wales have a clear statutory role established by the [Local Government \(Wales\) Measure 2011](#). The Welsh Government has provided [statutory guidance](#) on the implementation of the measure's requirements, and local authorities in Wales must have regard to this guidance. The [Cities and Local Government Devolution Act 2016](#) requires combined authorities to establish an audit committee of which at least one member must be appointed as an independent member. The Home Office's [Financial Management Code of Practice for the Police Forces of England and Wales](#) (2013 – due to be updated in 2018) (the 'FMCP') requires PCCs and chief constables to establish an independent audit committee. This is an advisory committee to both the PCC and the chief constable, both of whom are established as a corporation sole.

The [Policing and Crime Act 2017](#) enables a PCC in England (following local consultation and approval from the secretary of state) to take on the governance of their local fire and rescue service(s) to become a PCC FRA. The 2018 edition of the FMCP is likely to include guidance concerning audit committees in this event.

Other regulations include the appropriate accounts and audit regulations for England, Scotland, Wales and Northern Ireland, which regulate functions such as internal audit, the review of the AGS and the accounts. These functions can be undertaken by the audit committee and where it does so, the committee should have regard to the regulations.

Impact of other legislation

The standards committee's role has been affected by the [Localism Act 2011](#) in England, and some authorities have chosen to transfer responsibility for looking at ethical governance matters to the audit committee, while retaining a standards panel to oversee investigations.

Other relevant recommendations

The [Exercise by Local Government Auditors of Their Functions in the Year to 31 March 2015](#), a report produced by the Chief Local Government Auditor of the Northern Ireland Audit Office, commented that in a small number of councils the audit committee was not operating as a full committee. The Chief Local Government Auditor has recommended that audit committees should be a full committee reporting directly to council.

STRUCTURE AND INDEPENDENCE

Local authorities

For local authorities, stand-alone audit committees reporting to full council are the most common arrangement in the UK. The [CIPFA Survey on Audit Committees in Local Authorities and Police 2016](#) found that, across the UK, 85% of councils had audit committees that reported to full council, leaving only 15% that reported via cabinet or other committee. The survey also showed that the number of stand-alone audit committees had declined from 58% to 47% alongside a rise in the number of joint committees. Some joint committees' responsibilities were audit and risk or audit and governance, however, others included responsibilities such as procurement or health and safety. There had also been a small rise in the number of joint audit and standards committees. Another arrangement, more common in Scotland, was the integration of audit committee functions into a policy committee.

Reporting to the executive may appear to be advantageous if it increases the prospect of audit committee recommendations being addressed. However, there are two disadvantages from a wider governance perspective: first, by not reporting to full council ('those charged with governance'), the audit committee may not be supporting that body in discharging its governance responsibilities; and, second, members and citizens may see the audit committee as not being independent of the executive.

Combining audit with other committees may appear to be an attractive arrangement, but there is always a danger either that audit committee functions become diluted by the pressure of other business or that the proper functions of these bodies become less clear. Having a group of members bearing the name 'audit committee' will add weight when considering audit and related issues. Extending the remit of the audit committee to other matters could create confusion about the role of the audit committee and ultimately undermine its effectiveness.

Financial scrutiny is a different role from that fulfilled by the audit committee. Financial scrutiny committees are likely to undertake reviews of the council's budget proposals and financial performance. The audit committee should not seek to replicate scrutiny undertaken but should focus on the oversight of governance, risk and control and the audit process.

However the audit committee is constituted, all members should be aware that the work of the audit committee is non-political. Chapter 7 includes a section on the composition of the audit committee.

Combined authorities

The [Cities and Local Government Devolution Act 2016](#) requires combined authorities to have an audit committee, but there are no requirements about where the committee fits into the overall governance structure of the authority. If the combined authority brings together the functions of the PCC with the local authority functions, and in time those of the fire authority as well, then it might be expected that there would be a single audit committee.

Police

Police audit committees are recommended by the FMCP to be joint committees, reporting both to the PCC and the chief constable. To date, all police audit committees operate in this way.

SHARED AUDIT COMMITTEES

Where authorities or policing bodies have entered into significant levels of partnership, a shared audit committee may be a practical way forward. This will be particularly appropriate where there is a shared management team and single functions for finance, audit and risk. In establishing the committee, consideration will need to be given to achieving a balance of representation between the partners and how the chair is to be selected.

AUDIT COMMITTEES IN PARTNERSHIP

Where an authority has major areas of governance and risk shared with other public bodies in a partnership, it may be appropriate to set up formal arrangements between the respective audit committees. This could involve one audit committee being nominated to take the lead on matters relating to the partnership. Alternatively, the audit committees could nominate representatives to a shared audit committee to oversee the partnership.

DECISION-MAKING POWERS AND DELEGATIONS

All audit committees are non-executive bodies whose role is to make recommendations rather than to decide policies directly. The impact of the committee is through influence and persuasion rather than direct decision making. The committee's effectiveness does not depend on the delegation of powers.

The constitution of a local authority may include direct delegations to its audit committee, for example to approve the AGS or financial statements on behalf of the authority, as well as undertaking the review. In establishing whether the audit committee is to have any delegated

decision-making powers, the local authority should take into account the number and role of independent members on the committee. In doing this, it will need to take into account the issue of voting rights outlined in Chapter 7. CIPFA recommends that delegation of decision-making powers on matters not directly related to the work of the audit committee should be avoided.

Police audit committees in England and Wales can never be delegated decision-making or approval powers by the PCC or the chief constable.

ADMINISTRATIVE AND OPERATIONAL ARRANGEMENTS

Agenda management and frequency of meetings

The frequency and timing of meetings is a matter for each authority to determine, based on its corporate governance arrangements, together with consideration of how the committee can operate effectively and fulfil its purpose. To fit with planning, monitoring and annual reporting arrangements, most organisations will find they will require at least four meetings a year. Aspects of the audit committee agenda will be determined by statutory requirements related to the accounts and matters related to the financial year. Outside these agenda items, the audit committee should aim to manage its agenda according to its assurance needs to fulfil its terms of reference.

Where an audit committee is addressing the full range of governance, risk, control and audit functions, care should be taken to balance the frequency of meetings against the need to give the business of the committee sufficient focused attention without lengthy and unproductive meetings. Equally, the audit committee should review whether the inclusion of each item on its agenda results in added value and whether some time-consuming aspects of audit committee business could be more effectively addressed elsewhere. In making these judgements, the audit committee should operate at a resolutely strategic level. Care should be taken to avoid straying into matters of operational detail that should be resolved by service managers. The skilful chairing of meetings with well-planned agendas should provide the final mechanism for avoiding this danger.

Supporting the audit committee and key relationships

Effective administrative support for the audit committee will clearly be important as for any committee of the authority. If the committee is to take an active part in the authority's business, it should be administered as effectively as any other committee meeting. The regular attendance of key senior management figures is important – both to maintain the credibility of the committee and to ensure that members are adequately supported by appropriate professionals.

[The Role of the Chief Financial Officer in Local Government](#) (CIPFA, 2016) and the [CIPFA Statement on the Role of Chief Financial Officers in Policing](#) (2018) emphasise the importance of having an effective audit committee to support the CFO. Police audit committees will need to work with the CFO of both the PCC and the chief constable. The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

The CFO should therefore be a key point of contact for audit committee members and it is essential that the CFO has direct access to the committee. It is also a responsibility of the CFO to support the authority's internal audit arrangements and ensure that the audit committee receives any necessary advice and information, so that both functions can operate effectively. The audit committee should then be in a position to provide effective support to the CFO.

The head of internal audit should also have a good relationship with the committee and be a key point of contact. Internal audit reports or updates will be a regular feature of audit committee agendas, so the head of internal audit should be expected to attend all meetings.

A public sector requirement within the PSIAS states:

The chief audit executive must also establish effective communication with, and have free and unfettered access to, the chief executive (or equivalent) and the chair of the audit committee.

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

To be effective, an audit committee will need to engage with a wider range of officers than representatives of finance and internal audit, essential though they are. While it is for each audit committee to determine who attends its meetings, the following examples demonstrate the wide range of officers who can attend and add value to audit committee meetings:

- chief executive or equivalent – for the AGS and other governance-related issues
- monitoring officer – for the AGS and ethical governance issues
- risk management officer – for discussions around the risk registers and risk reports
- head of counter fraud – for agenda items on fraud risks and counter fraud activity
- service senior managers – for audit, risk, or governance discussions on their service areas (while recognising the operational independence of the chief constable on operational policing matters)
- scrutiny, ethics or standards committee representatives – it may be helpful to invite representatives along to explain their work programme or recent reports.

Consideration should also be given to supporting the audit committee outside formal meetings. There may be a need to keep committee members briefed on issues that are on the agenda, and other matters may be too detailed for inclusion on the agenda. For example, internal audit reports may be provided in full to committee members but may be included on the meeting agenda only where there are significant risks to be discussed. This issue may be of particular importance for police audit committees where the members are not routinely involved in other meetings and do not have the same rights of access to information as do local authority councillors. Arrangements to provide the members with an appropriate level of information and updates and a protocol for managing information requests should be discussed and agreed.

Private meetings with external auditors and with internal auditors are a common feature of audit committees in the private sector and in other parts of the public sector. The aim of this

is to ensure that there are opportunities to raise any concerns. In local authorities this has proved difficult to replicate because of the requirements for committee meetings to be held in public. Some authorities have approached this by specifying that such meetings are informal. Authorities should aim to provide full opportunities for auditors, external and internal, to have access to the chair of the audit committee.

ACCOUNTABILITY

Given its role in the governance structure and in promoting the principles of good governance, the audit committee should be clear how it supports one of the key principles: accountability. It is also important that the audit committee is, in its turn, held to account on the extent to which it has fulfilled its purpose. For an audit committee, accountability has to be considered under three aspects, each of which is considered below:

1. supporting the authority's accountability to the public and stakeholders
2. supporting accountability within the authority
3. holding the audit committee to account.

Supporting the authority's accountability to the public and stakeholders

The committee has a key role in reviewing the public reports of the authority and in helping the authority to discharge its responsibilities in this area. Committee meetings will normally be held in public, with the exception of exempt items, so this also contributes to the accountability of the authority to the public and stakeholders.

The Home Office publishes an [Accountability System Statement for Policing and Crime Reduction](#) which identifies the formal accountability relationships of policing bodies. The statement does not identify a formal accountability role for the police audit committee, which reflects its role as an advisory body supporting the PCC and chief constable. For police audit committees, therefore, the committee provides support for accountability to the public and other stakeholders but does not directly discharge that responsibility itself.

A wider group of stakeholders, such as partner organisations or the police and crime panel, may have an interest in the work of the committee, although there is no direct accountability relationship between the panel and the audit committee. Holding open meetings and publishing agendas and minutes will support wider communication and transparency.

Supporting accountability within the authority

Through review of internal and external audit reports, monitoring of risk registers and other key strategies, the audit committee will hold to account those responsible for the implementation of recommendations and action plans. In addition, by overseeing the process of evaluating and improving governance, risk management and control, the audit committee helps those responsible for governance to ensure that accountability throughout the authority is working well.

The audit committee is most effective in supporting internal accountability when it discusses governance, risk or control issues with the responsible managers directly. In the most recent

CIPFA survey, this was an area that heads of internal audit identified for improvement in their audit committees.

Holding the audit committee to account

The audit committee should be held to account on a regular basis by the group to which it is accountable. For a local authority audit committee, this will be the council. For a police audit committee, it will be both the PCC and the chief constable. The aspects that should be specifically considered include:

- whether the committee has fulfilled its agreed terms of reference
- whether the committee has adopted recommended practice
- whether the development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities
- whether the committee has assessed its own effectiveness or been the subject of a review and the conclusions and actions from that review
- what impact the committee has on the improvement of governance, risk and control within the authority.

The preparation of an annual report by the committee can be a helpful way to address the key areas where the committee should be held to account. The annual report should be presented to those charged with governance: council or PCC and chief constable as appropriate. In addition, publication of the report will assist other stakeholders to understand the work of the committee.

It can be difficult to ensure that those not directly involved in the work of the committee achieve an understanding of its role. Where there is a lack of understanding about the work of the committee, then the process of holding the committee to account may not operate effectively. This is considered further in Chapter 7.

Membership and effectiveness

Extract from the Position Statement

- 6** Good audit committees are characterised by:
- a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. The political balance of a formal committee of an authority will reflect the political balance of the council, however, it is important to achieve the right mix of apolitical expertise
 - a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
 - a strong independently minded chair – displaying a depth of knowledge, skills and interest. There are many personal qualities needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime
 - unbiased attitudes – treating auditors, the executive and management fairly
 - the ability to challenge the executive and senior managers when required.

COMPOSITION AND OPERATION OF THE COMMITTEE

The composition of the committee will be a key factor in achieving the characteristics of a good audit committee.

Audit committees in Welsh local authorities and combined authorities in England and in police audit committees in England and Wales are subject to specific rules on the composition of the audit committee as follows:

- The composition of the audit committee for Welsh local authorities is subject to the [Local Government \(Wales\) Measure 2011](#), which requires local authority audit committees to have at least one lay member. Up to one-third of the committee membership may be lay members. Only one of the committee's members may be from the council's executive and this must not be the leader or the elected mayor.
- Police audit committees should comprise between three and five members who are independent of the PCC and the force as required by the [Financial Management Code of Practice for the Police Forces of England and Wales](#) (Home Office, 2013 – due to be updated in 2018).

- Combined authorities in England are required to establish an audit committee by the [Cities and Local Government Devolution Act 2016](#). The Act and the subsequent [Combined Authorities \(Overview and Scrutiny Committees, Access to Information and Audit Committees\) Order 2017](#) require combined authority audit committees to include at least one independent member. The definition of independent is set out in the statutory guidance.

In other parts of the local authority sector there are no statutory requirements that determine the composition of the audit committee. In Northern Ireland, the Chief Local Government Auditor has recommended that suitable independent members are appointed to all local authority audit committees. In the most recent [report](#), ten out of eleven local authority committees had appointed at least one independent member to the committee.

CIPFA endorses the approach of mandating the inclusion of a lay or independent member and recommends that those authorities, for whom it is not a requirement, actively explore the appointment of an independent member to the committee.

In other sectors, the audit committee can be small – fewer than six members. [Guidance on Audit Committees](#) (FRC, 2016) says that an audit committee should have at least three non-executive directors. The [Audit and Risk Assurance Committee Handbook](#) (HM Treasury, 2016) states that a committee should have at least three members of which there should be two non-executive board members, one of whom will chair the committee; executive members are explicitly excluded.

In the local authority sector where membership of the committee is drawn from elected representatives, the depth of knowledge and experience that is desirable may be harder to achieve with a small number, however, there is a risk that creating a large committee will mean that it is harder to create the necessary focus. There is no consistency in the local government sector on the size of the committee. [CIPFA's 2016 survey](#) of audit committees found that size of the committee ranged from five to fifteen or more, although 47% had between six and eight members, with 2% having fewer and 50% having more. The survey showed that the average size of the committee had increased since CIPFA's 2011 survey.

Elected members of local authorities are members of the council and thus are part of the body charged with governance. Elected members bring knowledge of the organisation, its objectives and policies to the audit committee. Members who are also involved in scrutiny or standards offer additional knowledge of activity, risks and challenges affecting those areas.

Having executive members on the committee is discouraged as it could deter the committee from being able to challenge or hold to account the executive on governance, risk and control matters. This approach is consistent with audit committee practice in other parts of the public sector and in the private sector. Inviting an executive member onto the committee should be avoided unless the committee has other compensating arrangements to ensure independence, for example, a majority of independent members or an independent chair. The executive member should not chair the committee. The leader of the cabinet, administration or the elected mayor should not be a member of the audit committee. However, the audit committee can invite members of the executive to attend to discuss issues within its remit and to brief the committee on the actions they are taking.

Any audit committee that is a properly constituted committee of the council will need to abide by the rules concerning political balance, as outlined in Section 15 of the [Local Government and Housing Act 1989](#). Under the statutory guidance, combined authorities are required to reflect the political balance of the constituent authorities as far as is practicable. One factor that is important for the success of the committee is ensuring a non-political approach to meetings and discussions. When establishing a joint audit committee, the political balance of both authorities will need to be considered.

Good practice shows that co-option of independent members is beneficial to the audit committee. It is a requirement for police audit committees, English combined authorities and for local authorities in Wales, and it is usual practice for non-executives to be committee members in health and central government audit committees. The injection of an external view can often bring a new approach to committee discussions. Authorities that have chosen to recruit independent members have done so for a number of reasons:

- to bring additional knowledge and expertise to the committee
- to reinforce the political neutrality and independence of the committee
- to maintain continuity of committee membership where membership is affected by the electoral cycle.

There are some potential pitfalls to the use of independent members which should also be borne in mind:

- over-reliance on the independent members by other committee members can lead to a lack of engagement across the full committee
- lack of organisational knowledge or 'context' among the independent members when considering risk registers or audit reports
- effort is required from both independent members and officers/staff to establish an effective working relationship and establish appropriate protocols for briefings and access to information.

These factors should be taken into account when developing the committee structure and plans put in place to provide an appropriate level of support to the audit committee member.

Voting rights of independent members

Local authorities should have regard to Section 13 of the Local Government and Housing Act 1989 which relates to the voting rights of non-elected committee members. Where the audit committee is operating as an advisory committee under the [Local Government Act 1972](#), making recommendations rather than policy, then all members of the committee should be able to vote on that recommendation. If the council wishes to delegate decisions to the committee, for example the adoption of the financial statements, then the independent member will not be able to vote on those matters for decision. The minutes of the meeting should make clear in what capacity the committee is voting.

Recruitment process

The job description of the independent member should be drawn up and agreed before commencing recruitment. The requirement for relevant knowledge or expertise should be

clearly determined. Vacancies should be publicly advertised, as is good practice for any public appointment. Candidates should be able to demonstrate their political independence and their suitability should be checked. Only the independent members for combined authorities have to satisfy specific definitions of their independence. Appropriate enquiries will need to be made as part of the recruitment process to ensure that any applicants satisfy the requirements, and continuation of compliance should be monitored during the term of appointment.

Independent members' appointments should be for a fixed term and be formally approved by the local authority's council or the PCC and the chief constable. Provision should be made for early termination and extension to avoid lack of clarity in the future. While operating as a member of the audit committee, the independent member should follow the same code of conduct as elected members and a register of interests should be maintained.

The primary considerations when considering audit committee membership should be maximising the committee's knowledge base and skills, being able to demonstrate objectivity and independence, and having a membership that will work together.

KNOWLEDGE AND EXPERIENCE

There is a range of knowledge and experience that audit committee members can bring to the committee and which will enable it to perform effectively. No one committee member would be expected to be expert in all areas, but there are some core areas of knowledge that committee members will need to acquire. There will also be a need for regular briefings or training to help committee members keep up to date or extend their knowledge.

Appendix C sets out a knowledge and skills framework for audit committee members and the committee chair. This can be used to guide members on their training needs and to evaluate the overall knowledge and skills of the committee. It can also be used when recruiting independent members. A distinction is made between core areas of knowledge that all audit committee members should seek to acquire and a range of specialisms that can add value to the committee.

The audit committee should review risks, controls and assurances that cover the whole operation of the authority so knowledge of specific service areas will be helpful. Other areas of specialist knowledge and experience, for example in accountancy, audit, governance and risk management, will add value to the committee.

Skills and competencies

A number of skills are beneficial for the audit committee member to have. There are also specific skills that the audit committee chair will need. Many of these skills are not unique to the role of audit committee member and experience in other member or non-executive roles will have helped to build these skills. Many authorities have training and development plans for elected members, which may include similar skill or competency training opportunities. Evidence of appropriate skills and knowledge should also be sought where independent members are being recruited to the committee.

Self-assessment and training

Audit committee members should be willing to review their knowledge and skills, for example, as part of a self-assessment process or training needs analysis. Regardless of the knowledge and skills a member has when joining the committee, there needs to be a commitment to participate in training and development to ensure that knowledge is kept up to date. The authority should establish a programme of support that involves induction training, regular briefings and updates as well as formal training programmes. This may require the allocation of a budget to provide appropriate support.

Role of the chair

Police audit committees and some authority audit committees may advertise specifically for an independent chair. Following appointment, it would be expected that the person would remain as chair for their appointed period. Where the chair is an elected councilor, the appointment is likely to be made during the annual council and may only be for that committee cycle. Whether undertaken during recruitment or the annual committee cycle, ideally the selection of the chair will take into account the characteristics required of an effective chair. These include:

- an ability to plan the work of the committee over the year and beyond
- skills of managing meetings
- an ability to bring an objective, apolitical attitude
- a core knowledge and skills required of audit committee members
- a clear focus on the role of the committee and ambition to lead the committee in line with good governance principles
- a focus on improvement and securing agreement on actions.

The tenure of the audit committee chair remains a matter for the authority. In making this decision, it should be recognised that a period of continuity can be helpful, particularly for the development of greater knowledge and expertise, while rotation also helps to deliver a new perspective.

DEVELOPING AUDIT COMMITTEE EFFECTIVENESS

An audit committee's effectiveness should be judged by the contribution it makes to, and the beneficial impact it has on, the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'. A good standard of performance against recommended practice, together with a knowledgeable and experienced membership, are essential requirements for delivering effectiveness.

Using the recommended practice in this publication should help the authority to achieve a good standard of performance. The evaluation at Appendix D will support an assessment against recommended practice to inform and support the audit committee. Authorities are encouraged not to regard meeting recommended practice as a tick-box activity, and they should recognise that achieving recommended practice does not mean necessarily that the committee is effective.

The selection of audit committee members, their knowledge, skills and experience are an essential component of an effective committee. Regular briefings and training are essential to keep members up to date in their role. Members will become more effective with experience so it is helpful to have some continuity of membership on the committee.

The approach and priorities of the audit committee will need to adapt to the risks and challenges facing the authority and reflect the maturity of its governance, risk and control arrangements. For example, in a new authority or one that has gone through significant structural change, there may be little continuity of governance and control arrangements. As a result, the audit committee will focus on the establishment of appropriate arrangements.

Where an authority has been found to have significant weaknesses in its governance or control arrangements, perhaps identified through an inspection or audit, then the audit committee will support the implementation of recommendations or action plans. Where there are barriers to that improvement, the committee may need to adopt a more questioning or challenging role to help break down those barriers. In those authorities where governance, risk and control are satisfactory overall, the audit committee may give greater focus to new risks and developments, but will also want to seek assurance that satisfactory performance does not lead to complacency and lack of innovation.

COMMON AREAS OF DIFFICULTY FOR AUDIT COMMITTEES

It is not uncommon for audit committees to face difficulties or barriers to fulfilling their potential effectiveness. CIPFA's survey of audit committees in 2016 identified the principal barriers faced by both local authority and police audit committees. For local authorities, the top three were:

1. limited knowledge and experience of the members
2. the committee not being seen as a priority by other members
3. the intrusion of political interests.

For police audit committees, the top three barriers were:

1. the committee was not considered a priority by the PCC and chief constable
2. the committee was not considered a priority by senior management
3. poor relationships between committee members and staff.

The barriers reflect the different make-up of local authority and police committees.

Some of these may be common issues that audit committees in any sector may face; others may be unique to the local authority or police setting. The following assessment may be of value in helping audit committee members or those supporting the committee to recognise and address the challenges.

Areas of difficulty	Possible causes	Possible improvement options
Lack of experience and continuity of knowledge among audit committee members	<ul style="list-style-type: none"> Where turnover of membership is very frequent, it will be difficult for the committee to build up experience 	<ul style="list-style-type: none"> Enhanced level of support and training to members will be required To enhance continuity the authority could consider recruitment of independent members
Audit committee members do not feel confident in their knowledge of particular areas	<ul style="list-style-type: none"> Lack of training and support 	<ul style="list-style-type: none"> Enhanced level of support and training to members
Independent members lack knowledge of the organisation and lack connections with key managers	<ul style="list-style-type: none"> Poor induction Limited opportunities to engage with the organisation outside formal meetings 	<ul style="list-style-type: none"> Improve induction Identify appropriate meetings, briefings or other opportunities that independent members could attend to help develop better understanding
Poor management of audit committee meetings means that work is unfocused or fails to reach a clear conclusion	<ul style="list-style-type: none"> Lack of experience or skill in managing meetings by the chair Committee members are unsure about their role Poor support from the committee secretary 	<ul style="list-style-type: none"> Training and support Develop a mentoring/coaching programme Chair seeks feedback from meeting participants Consider skills and experience in the selection of the chair Provide training and guidance to committee members on their role Improve committee support
The audit committee spends too much time on minor areas rather than strategic or wide-ranging issues	<ul style="list-style-type: none"> Agenda management fails to prioritise key areas The chair does not intervene to keep focus at an appropriate level 	<ul style="list-style-type: none"> Review the process of agenda development Review the terms of reference and provide training The chair seeks feedback from meeting participants Provide the chair with committee management training
The audit committee is little known or understood in many parts of the authority	<ul style="list-style-type: none"> The audit committee fails to engage with many parts of the authority Attendance is often limited to the CFO and the head of internal audit 	<ul style="list-style-type: none"> Expand attendance at audit committee meetings. For example, invite heads of service when major risks or control issues are being discussed

Areas of difficulty	Possible causes	Possible improvement options
The audit committee is little known or understood by those not on the committee	<ul style="list-style-type: none"> ■ Lack of feedback or reporting arrangements 	<ul style="list-style-type: none"> ■ Invite newly elected members to attend audit committee meetings ■ Review reporting arrangements ■ Consider an annual report that sets out how the committee has fulfilled its responsibilities
Recommendations made by the audit committee are not actioned	<ul style="list-style-type: none"> ■ Poor relationship between the committee and the executive or senior officers ■ The audit committee's recommendations are not adequately aligned to organisational objectives 	<ul style="list-style-type: none"> ■ A senior officer provides internal facilitation to support improved relationships ■ Improve knowledge and skills among audit committee members ■ Ensure better engagement with appropriate managers or the executive at an earlier stage
The audit committee fails to make recommendations or follow up on issues of concern	<ul style="list-style-type: none"> ■ A weak or inexperienced chair ■ Members are inexperienced or do not fully understand their role ■ Poor briefing arrangements prior to meetings ■ Committee reports fail to adequately identify the action required by the committee 	<ul style="list-style-type: none"> ■ Provide guidance and support ■ Improve briefing to the chair prior to the meeting ■ Ensure reports contain clear recommendations
The audit committee strays beyond its terms of reference, for example undertaking a scrutiny role	<ul style="list-style-type: none"> ■ The terms of reference do not adequately scope the work of the committee ■ Misunderstanding about the role of the committee ■ Inadequate guidance from committee secretary to the chair on its role 	<ul style="list-style-type: none"> ■ Review the terms of reference and provide training and guidance

Areas of difficulty	Possible causes	Possible improvement options
Political points of view interfere with the work of the audit committee	<ul style="list-style-type: none"> ■ Lack of understanding about the role of the committee 	<ul style="list-style-type: none"> ■ Seek feedback from those interacting with the committee or external assessment ■ Provide support for or training for the chair ■ Consider the inclusion or role of independent members
A breakdown in the relationship between committee members and the executive, PCC or chief constable or with senior management	<ul style="list-style-type: none"> ■ Lack of understanding about the role of the committee ■ Differing perceptions on the value of the committee ■ Personality clashes 	<ul style="list-style-type: none"> ■ Review the terms of reference and provide training and guidance ■ A senior officer provides internal facilitation to support improved relationships ■ Seek an external assessment or facilitation ■ Change the chair or membership, if the constitution or opportunity arises

APPROACHES TO IMPROVEMENT AND EVALUATING EFFECTIVENESS

The areas included on audit committee agendas are regularly impacted by new legislation, professional guidance and research, so even knowledgeable and experienced audit committee members need access to briefings or training to remain effective. Where areas for development have been identified in the operation of the committee, then a more comprehensive action plan may be required.

Seeking feedback on the operation of the committee may be helpful to supplement a self-assessment. Those interacting regularly with the committee or relying on its output would be the principal sources of feedback. Where the committee is struggling, an external assessment may be an appropriate way to evaluate the committee and to develop an action plan for improvement.

Appendix E contains an assessment tool to help audit committee members to consider where it is most effective and where there may be scope to do more. To be considered effective, the audit committee should be able to identify evidence of its impact or influence linked to specific improvements.

Sector and devolved government guidance

PART 1 – COMPARISON OF SECTOR AND DEVOLVED GOVERNMENT REGULATIONS AND GUIDANCE ON KEY AREAS RELATED TO AUDIT COMMITTEES

Guidance area	England Combined authorities	Wales Local authorities	England and Wales Police	England, Northern Ireland and Scotland Local authorities
Establishment of audit committee	<ul style="list-style-type: none"> ■ Required 	<ul style="list-style-type: none"> ■ Required 	<ul style="list-style-type: none"> ■ Required ■ It is recommended that this should be a combined body for both PCC and chief constable 	<ul style="list-style-type: none"> No guidance
Composition of the audit committee	<ul style="list-style-type: none"> ■ Committees must have at least one independent person as defined by guidance ■ The committee should reflect the political balance of the constituent authorities, as far as is reasonably practical ■ The committee may not include an officer of the combined authority or a constituent council 	<ul style="list-style-type: none"> ■ Committees must have at least one lay member. Up to one-third of the committee membership may be lay members. Only one of the committee's members may be from the council's executive and this must not be the leader or the elected mayor 	<ul style="list-style-type: none"> ■ Police audit committees should comprise between three and five members who are independent of the PCC and the force (where applicable) 	<ul style="list-style-type: none"> No guidance

Guidance area	England Combined authorities	Wales Local authorities	England and Wales Police	England, Northern Ireland and Scotland Local authorities
Specified functions of the audit committee	<p>a) Review and scrutinise the authority's financial affairs</p> <p>b) Review and assess the authority's risk management, internal control and corporate governance arrangements</p> <p>c) Review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions</p> <p>d) Make reports and recommendations to the combined authority</p>	<p>a) Review and scrutinise the authority's financial affairs</p> <p>b) Make reports and recommendations in relation to the authority's financial affairs</p> <p>c) Review and assess the risk management, internal control and corporate governance arrangements of the authority</p> <p>d) Make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements</p> <p>e) Oversee the authority's internal and external audit arrangements</p> <p>f) Review the financial statements prepared by the authority</p>	<p>Consider the internal and external audit reports of both the PCC and the chief constable</p> <p>Advise the PCC and the chief constable according to good governance principles and adopt appropriate risk management arrangements in accordance with proper practices</p>	No guidance
Responsibilities of the audit committee in relation to external audit	<p>■ No guidance</p>	<p>■ Oversee external audit arrangements</p>	<p>■ Review external audit reports</p>	No guidance

Guidance area	England Combined authorities	Wales Local authorities	England and Wales Police	England, Northern Ireland and Scotland Local authorities
Specific guidance	<ul style="list-style-type: none"> ■ Cities and Local Government Devolution Act 2016 ■ Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2016 	<ul style="list-style-type: none"> ■ Local Government (Wales) Measure 2011 Statutory Guidance from the Local Government Measure 2011 	Financial Management Code of Practice for the Police Forces of England and Wales (Home Office, 2013 – due to be updated in 2018)	N/A

PART 2 – GOVERNMENT GUIDANCE BY SECTOR AND DEVOLVED GOVERNMENT ON MATTERS THAT MAY BE INCLUDED IN AUDIT COMMITTEE TERMS OF REFERENCE

Accounts and Audit Regulations are statutory instruments issued by the UK or the devolved governments. The various regulations impose requirements on ‘relevant bodies’, eg a local authority, a fire and rescue authority or police body, in relation to governance, internal control, financial reporting and internal audit.

The Accounts and Audit Regulations do not specify that these requirements must be met by an audit committee. However, where it is the audit committee of a relevant body that undertakes or reviews the specified task, the audit committee must meet the requirements of the regulations and take them into account in agreeing their terms of reference.

The following is a summary for each sector and/or region of the sets of regulations affecting them, highlighting key regulations. The regulations are subject to periodic update by the appropriate government body and audit committee members should be made aware of any changes by their organisation.

Local authorities in England (including combined authorities and fire and rescue authorities)

Relevant government guidance	Accounts and Audit (England) Regulations 2015
Governance and risk management arrangements	Regulation 3 requires that: <i>A relevant authority must ensure that it has a sound system of internal control which –</i> <i>(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;</i> <i>(b) ensures that the financial and operational management of the authority is effective; and</i> <i>(c) includes effective arrangements for the management of risk</i>
Authority’s financial affairs and financial statements	Regulation 4 relates to accounting records and control systems Regulations 7, 8, 9 and 10 relate to the statement of accounts
Review of effectiveness of system of internal control	Regulation 6 requires members of the body to consider the findings of the review of the effectiveness of the body’s system of internal control
Approval of annual governance statements	Regulation 6 relates to the approval of an AGS prepared in accordance with proper practices in relation to accounts
Internal audit	Regulation 5 requires a relevant body to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance

Local authorities in Wales

Relevant government guidance	Accounts and Audit Regulations (Wales) 2014 and the Accounts and Audit (Wales) (Amendment) Regulations 2018
Governance and risk management arrangements	Regulation 5 requires the following: <i>5.—(1) The relevant body must ensure that there is a sound system of internal control which facilitates the effective exercise of that body's functions and which includes—</i> <i>a) arrangements for the management of risk, and</i> <i>b) adequate and effective financial management</i>
Financial affairs and financial statements	Regulation 6 relates to accounting records and control systems Regulations 8 and 10 relate to the statement of accounts
Review of effectiveness of system of internal control	Regulation 5 requires the body to conduct a review at least once in a year of the effectiveness of its system of internal control and consider the findings of the review
Approval of annual governance statements	Regulation 5 requires the body to approve a statement on internal control prepared in accordance with proper practices
Internal audit	Regulation 7 requires a local government body to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control
Review of effectiveness of internal audit	Regulation 7 requires that a larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit In addition, the Local Government Measure (Wales) 2011 has an explicit requirement for the audit committee to oversee the authority's internal audit arrangements

Local authorities in Scotland

Relevant government guidance	Local Authority Accounts (Scotland) Regulations 2014
Governance and risk management arrangements	Regulation 5 requires the following: <i>A local authority is responsible for ensuring that the authority has a sound system of internal control which –</i> <i>(a) facilitates the effective exercise of the authority's functions; and</i> <i>(b) includes arrangements for the management of risk</i>
Financial affairs and financial statements	Regulation 5 requires the following: <i>A local authority is responsible for ensuring that the financial management of the authority is adequate and effective</i> Regulation 6 relates to accounting records and control systems Regulations 8, 10 and 11 relate to the statement of accounts
Review of effectiveness of system of internal control	Regulation 5 requires the authority to: <i>conduct a review at least once in each financial year of the effectiveness of its system of internal control.</i>

Approval of annual governance statements	Regulation 5 relates to the approval of an AGS prepared in accordance with proper practices in relation to internal control
Internal audit	Regulation 7 requires a local authority to operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing
Review of effectiveness of internal audit	Regulation 7 requires a local authority to assess the efficiency and effectiveness of its internal auditing in accordance with the recognised standards and practices

Local authorities in Northern Ireland

Relevant government guidance	Local Government (Accounts and Audit) Regulations (Northern Ireland) 2015
Governance and risk management arrangements	Regulation 4 requires a local government body to ensure that the financial management of the local government body is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk
Authority's financial affairs and financial statements	Regulation 5 relates to accounting records and control systems Regulations 7 and 8 relate to the statement of accounts
Review of effectiveness of system of internal control	Regulation 4 requires a review of the effectiveness of the body's system of internal control and to approve a statement on internal control, prepared in accordance with proper practices in relation to internal control
Approval of annual governance statements	Regulation 4 requires the body to approve a statement on internal control, prepared in accordance with proper practices in relation to internal control The accompanying guidance from the Department of the Environment identifies the CIPFA/Solace 2007 Framework and 2012 Addendum as proper practices – these have now been replaced by the 2016 Framework
Internal audit	Regulation 6 requires the local government body to undertake an adequate and effective internal audit of its accounting records and of its system of risk management, internal control and governance processes using internal auditing standards in force from time to time The accompanying guidance from the Department of the Environment identifies the PSIAS as the appropriate internal audit standard

Police in England

Relevant government guidance	Accounts and Audit (England) Regulations 2015 – see also the statutory guidance Financial Management Code of Practice for the Police Forces of England and Wales (FMCP) (Home Office, 2013 – due to be updated in 2018)
Governance and risk management arrangements	Regulation 3 requires the following: <i>A relevant authority must ensure that it has a sound system of internal control which –</i> <i>(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;</i> <i>(b) ensures that the financial and operational management of the authority is effective; and</i> <i>(c) includes effective arrangements for the management of risk.</i>
Authority's financial affairs and financial statements	Regulation 4 relates to accounting records and control systems Regulations 7, 8, 9 and 10 relate to the statement of accounts
Review of effectiveness of system of internal control	Regulation 6 requires members of the body to consider the findings of the review of the effectiveness of the body's system of internal control
Approval of annual governance statements	Regulation 6 relates to the approval of an AGS prepared in accordance with proper practices in relation to accounts
Internal audit	Regulation 5 requires a relevant body to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance

Police in Wales

Relevant government guidance	Accounts and Audit Regulations (Wales) 2014 and the Accounts and Audit (Wales) (Amendment) Regulations 2018 – see also the FMCP
Governance and risk management arrangements	Regulation 5 requires the following: <i>A local authority is responsible for ensuring that the authority has a sound system of internal control which –</i> <i>(a) facilitates the effective exercise of the authority's functions; and</i> <i>(b) includes arrangements for the management of risk.</i>
Financial affairs and financial statements	Regulation 6 relates to accounting records and control systems Regulations 8 and 10 relate to the statement of accounts
Review of effectiveness of system of internal control	Regulation 5 requires that the body to conduct a review at least once in a year of the effectiveness of its system of internal control and consider the findings of the review
Approval of annual governance statements	Regulation 5 requires the body to approve a statement on internal control prepared in accordance with proper practices

Internal audit	Regulation 7 requires a local government body to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control
Review of effectiveness of internal audit	Regulation 7 requires that a larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit In addition, the Local Government (Wales) Measure 2011 has an explicit requirement for the audit committee to oversee the authority's internal audit arrangements

Suggested terms of reference – local authorities and police

INTRODUCTION

This appendix contains two sets of suggested terms of reference, one for local authorities and one for police. The principal difference between them is that the police audit committee must ensure that its terms of reference are in accordance with the [Financial Management Code of Practice for the Police Forces of England and Wales](#) (Home Office, 2013 – due to be updated in 2018) and remain an advisory body.

In developing the terms of reference for an organisation, care should be taken to ensure that the specific regulations appropriate for the authority are taken into account.

Appendix A sets out these requirements. In addition, where the terms of reference refer to internal audit, regard should be had for how the internal audit charter has allocated responsibilities to the committee. Some of the internal audit responsibilities identified in the terms of reference may not be carried out by the audit committee but by others.

SUGGESTED TERMS OF REFERENCE – LOCAL AUTHORITIES

Governance

The terms of reference should set out the committee's position in the governance structure of the authority.

Statement of purpose

- 1 Our audit committee is a key component of [name of authority]'s corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2 The purpose of our audit committee is to provide independent assurance to the members [or identify others charged with governance in your authority] of the adequacy of the risk management framework and the internal control environment. It provides independent review of [name of authority]'s governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, risk and control

- 3 To review the council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- 4 To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- 5 To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 6 To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- 7 To monitor the effective development and operation of risk management in the council.
- 8 To monitor progress in addressing risk-related issues reported to the committee.
- 9 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 10 To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- 11 To monitor the counter-fraud strategy, actions and resources.
- 12 To review the governance and assurance arrangements for significant partnerships or collaborations.

To fulfil the requirements of the Local Authority Measure within their terms of reference, local authorities in Wales should identify those aspects which are specified in the Measure. See Appendix A for details. CIPFA considers that the requirement to review and make recommendations on the authority's financial affairs will be fulfilled by reference to items 5, 9 and 10 in these suggested terms of reference as well as those under financial reporting.

Internal audit

- 13 To approve the internal audit charter.
- 14 To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- 15 To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- 16 To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- 17 To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- 18 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.

- 19 To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
 - a) updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
 - b) regular reports on the results of the QAIP
 - c) reports on instances where the internal audit function does not conform to the PSIAS and LGAN, considering whether the non-conformance is significant enough that it must be included in the AGS.
- 20 To consider the head of internal audit's annual report:
 - a) The statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.
 - b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the AGS.
- 21 To consider summaries of specific internal audit reports as requested.
- 22 To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- 23 To contribute to the QAIP and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- 24 To consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the Accounts and Audit Regulations (see Appendix A).
- 25 To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

External audit

- 26 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.
- 27 To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- 28 To consider specific reports as agreed with the external auditor.
- 29 To comment on the scope and depth of external audit work and to ensure it gives value for money.
- 30 To commission work from internal and external audit.
- 31 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

- 32 To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.
- 33 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability arrangements

- 34 To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- 35 To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 36 To publish an annual report on the work of the committee.

SUGGESTED TERMS OF REFERENCE – POLICE

There is no formal requirement as to how the audit committee relates to the governance structures of the PCC and the chief constable, but it is recommended that this is clearly set out in the terms of reference.

Statement of purpose

- 1 Our [audit] [joint audit] committee is a key component of [name of body]'s corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2 The purpose of our [audit] [joint audit] committee is to provide independent advice and recommendation to [select from 'the police and crime commissioner' (or name), 'the chief constable' (or name)] on the adequacy of the governance and risk management frameworks, the internal control environment, and financial reporting, thereby helping to ensure efficient and effective assurance arrangements are in place. To this end the committee is enabled and required to have oversight of, and to provide independent review of, the effectiveness of [name of body]'s governance, risk management and control frameworks, its financial reporting and annual governance processes, and internal audit and external audit.
- 3 These terms of reference will summarise the core functions of the committee in relation to the office of the police and crime commissioner (OPCC) and to the constabulary and describe the protocols in place to enable it to operate independently, robustly and effectively.

Governance, risk and control

The committee will provide advice and recommendations to the PCC or chief constable in relation to the following areas:

- 4 Review the corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- 5 Review the annual governance statement[s] prior to approval and consider whether [it] [they] properly [reflects] [reflect] the governance, risk and control environment and supporting assurances and identify any actions required for improvement.
- 6 Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- 7 Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the OPCC/the constabulary.
- 8 Monitor the effective development and operation of risk management, review the risk profile, and monitor progress of the PCC/the chief constable in addressing risk-related issues reported to them.
- 9 Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 10 Review arrangements for the assessment of fraud risks and potential harm from fraud and corruption and monitor the effectiveness of the counter fraud strategy, actions and resources.
- 11 To review the governance and assurance arrangements for significant partnerships or collaborations.

Internal audit

The committee will provide advice and recommendations to the PCC or chief constable in relation to the following areas:

- 12 Annually review the internal audit charter and resources.
- 13 Review the internal audit plan and any proposed revisions to the internal audit plan.
- 14 Oversee the appointment and consider the adequacy of the performance of the internal audit service and its independence.
- 15 Consider the head of internal audit's annual report and opinion, and a regular summary of the progress of internal audit activity against the audit plan, and the level of assurance it can give over corporate governance arrangements.
- 16 To consider the head of internal audit's statement of the level of conformance with the PSIAS and LGAN and the results of the QAIP that support the statement – these will indicate the reliability of the conclusions of internal audit.
- 17 Consider summaries of internal audit reports and such detailed reports as the committee may request from the PCC/the chief constable, including issues raised or recommendations made by the internal audit service, management response and progress with agreed actions.
- 18 Consider a report on the effectiveness of internal audit to support the AGS, where required to do so by the [Accounts and Audit Regulations \(Wales\) 2014](#) (see Appendix A).

- 19 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To make recommendations on safeguards to limit such impairments and periodically review their operation.

External audit

The committee will provide advice and recommendations to the PCC or chief constable in relation to the following areas:

- 20 Support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by either PSAA or the auditor panel as appropriate.
- 21 Comment on the scope and depth of external audit work, its independence and whether it gives satisfactory value for money.
- 22 Consider the external auditor's annual management letter, relevant reports and the report to those charged with governance.
- 23 Consider specific reports as agreed with the external auditor.
- 24 Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial reporting

The committee will provide advice and recommendations to the PCC or chief constable in relation to the following areas:

- 25 Review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit of the financial statements that need to be brought to the attention of the PCC and/or the chief constable.
- 26 Consider the external auditor's report to those charged with governance on issues arising from the audit of the financial statements.

Accountability arrangements

The committee will do the following:

- 27 On a timely basis report to the PCC and the chief constable with its advice and recommendations in relation to any matters that it considers relevant to governance, risk management and financial management.
- 28 Report to the PCC and the chief constable on its findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- 29 Review its performance against its terms of reference and objectives on an annual basis and report the results of this review to the PCC and the chief constable.
- 30 Publish an annual report on the work of the committee.

Audit committee members – knowledge and skills framework

CORE AREAS OF KNOWLEDGE

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Organisational knowledge	<ul style="list-style-type: none"> ■ An overview of the governance structures of the authority and decision-making processes ■ Knowledge of the organisational objectives and major functions of the authority 	<ul style="list-style-type: none"> ■ This knowledge will be core to most activities of the audit committee including review of the AGS, internal and external audit reports and risk registers
Audit committee role and functions (Chapters 3 and 6)	<ul style="list-style-type: none"> ■ An understanding of the audit committee's role and place within the governance structures. Familiarity with the committee's terms of reference and accountability arrangements ■ Knowledge of the purpose and role of the audit committee 	<ul style="list-style-type: none"> ■ This knowledge will enable the audit committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others
Governance (Chapter 4)	<ul style="list-style-type: none"> ■ Knowledge of the seven principles of the CIPFA/Solace Framework and the requirements of the AGS ■ Knowledge of the local code of governance 	<ul style="list-style-type: none"> ■ The committee will review the local code of governance and consider how governance arrangements align to the principles in the framework ■ The committee will plan the assurances it is to receive in order to adequately support the AGS ■ The committee will review the AGS and consider how the authority is meeting the principles of good governance

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Internal audit (Chapter 4)	<ul style="list-style-type: none"> ■ An awareness of the key principles of the PSIAS and the LGAN ■ Knowledge of the arrangements for delivery of the internal audit service in the authority and how the role of the head of internal audit is fulfilled 	<ul style="list-style-type: none"> ■ The audit committee has oversight of the internal audit function and will monitor its adherence to professional internal audit standards ■ The audit committee will review the assurances from internal audit work and will review the risk-based audit plan. The committee will also receive the annual report, including an opinion and information on conformance with professional standards ■ In relying on the work of internal audit, the committee will need to be confident that professional standards are being followed ■ The audit committee chair is likely to be interviewed as part of the external quality assessment and the committee will receive the outcome of the assessment and action plan
Financial management and accounting (Chapter 4)	<ul style="list-style-type: none"> ■ Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them ■ Understanding of good financial management principles ■ Knowledge of how the organisation meets the requirements of the role of the CFO, as required by The Role of the Chief Financial Officer in Local Government (CIPFA, 2016) and the CIPFA Statement on the Role of Chief Financial Officers in Policing (2018) 	<ul style="list-style-type: none"> ■ Reviewing the financial statements prior to publication, asking questions ■ Receiving the external audit report and opinion on the financial audit ■ Reviewing both external and internal audit recommendations relating to financial management and controls ■ The audit committee should consider the role of the CFO and how this is met when reviewing the AGS
External audit (Chapter 4)	<ul style="list-style-type: none"> ■ Knowledge of the role and functions of the external auditor and who currently undertakes this role ■ Knowledge of the key reports and assurances that external audit will provide ■ Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken 	<ul style="list-style-type: none"> ■ The audit committee should meet with the external auditor regularly and receive their reports and opinions ■ Monitoring external audit recommendations and maximising benefit from audit process ■ The audit committee should monitor the relationship between the external auditor and the authority and support the delivery of an effective service

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Risk management (Chapter 4)	<ul style="list-style-type: none"> ■ Understanding of the principles of risk management, including linkage to good governance and decision making ■ Knowledge of the risk management policy and strategy of the organisation ■ Understanding of risk governance arrangements, including the role of members and of the audit committee 	<ul style="list-style-type: none"> ■ In reviewing the AGS, the committee will consider the robustness of the authority's risk management arrangements and should also have awareness of the major risks the authority faces ■ Keeping up to date with the risk profile is necessary to support the review of a number of audit committee agenda items, including the risk-based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the committee ■ The committee should also review reports and action plans to develop the application of risk management practice
Counter fraud (Chapter 4)	<ul style="list-style-type: none"> ■ An understanding of the main areas of fraud and corruption risk to which the organisation is exposed ■ Knowledge of the principles of good fraud risk management practice in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) ■ Knowledge of the organisation's arrangements for tackling fraud 	<ul style="list-style-type: none"> ■ Knowledge of fraud risks and good fraud risk management practice will be helpful when the committee reviews the organisation's fraud strategy and receives reports on the effectiveness of that strategy ■ An assessment of arrangements should support the AGS and knowledge of good fraud risk management practice will support the audit committee member in reviewing that assessment
Values of good governance (Chapter 5)	<ul style="list-style-type: none"> ■ Knowledge of the Seven Principles of Public Life ■ Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff ■ Knowledge of the whistleblowing arrangements in the authority 	<ul style="list-style-type: none"> ■ The audit committee member will draw on this knowledge when reviewing governance issues and the AGS ■ Oversight of the effectiveness of whistleblowing will be considered as part of the AGS. The audit committee member should know to whom concerns should be reported

Knowledge area	Details of core knowledge required	How the audit committee member is able to apply the knowledge
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny) (Chapter 5)	<ul style="list-style-type: none"> ■ Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: <ul style="list-style-type: none"> – regulatory requirements – treasury risks – the organisation's treasury management strategy – the organisation's policies and procedures in relation to treasury management ■ See also Treasure Your Assets (CfPS, 2017) 	<ul style="list-style-type: none"> ■ Core knowledge on treasury management is essential for the committee undertaking the role of scrutiny

SPECIALIST KNOWLEDGE THAT ADDS VALUE TO THE AUDIT COMMITTEE

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

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee
Accountancy	<ul style="list-style-type: none"> Professional qualification in accountancy 	<ul style="list-style-type: none"> More able to engage with the review of the accounts and financial management issues coming before the committee Having an understanding of the professional requirements and standards that the finance function must meet will provide helpful context for discussion of risks and resource issues More able to engage with the external auditors and understand the results of audit work
Internal audit	<ul style="list-style-type: none"> Professional qualification in internal audit 	<ul style="list-style-type: none"> This would offer in-depth knowledge of professional standards of internal audit and good practice in internal auditing The committee would be more able to provide oversight of internal audit and review the output of audit reports
Risk management	<ul style="list-style-type: none"> Risk management qualification Practical experience of applying risk management Knowledge of risks and opportunities associated with major areas of activity 	<ul style="list-style-type: none"> Enhanced knowledge of risk management will inform the committee's oversight of the development of risk management practice Enhanced knowledge of risks and opportunities will be helpful when reviewing risk registers
Governance and legal	<ul style="list-style-type: none"> Legal qualification and knowledge of specific areas of interest to the committee, for example constitutional arrangements, data protection or contract law 	<ul style="list-style-type: none"> Legal knowledge may add value when the committee considers areas of legal risk or governance issues
Service knowledge relevant to the functions of the organisation	<ul style="list-style-type: none"> Direct experience of managing or working in a service area similar to that operated by the authority Previous scrutiny committee experience 	<ul style="list-style-type: none"> Knowledge of relevant legislation, risks and challenges associated with major service areas will help the audit committee to understand the operational context

Knowledge area	Details of supplementary knowledge	How the audit committee member is able to add value to the committee
Programme and project management	<ul style="list-style-type: none"> Project management qualifications or practical knowledge of project management principles 	<ul style="list-style-type: none"> Expert knowledge in this area will be helpful when considering project risk management or internal audit reviews
IT systems and IT governance	<ul style="list-style-type: none"> Knowledge gained from management or development work in IT 	<ul style="list-style-type: none"> Knowledge in this area will be helpful when considering IT governance arrangements or audit reviews of risks and controls

CORE SKILLS

Skills	Key elements	How the audit committee member is able to apply the skill
Strategic thinking and understanding of materiality	<ul style="list-style-type: none"> Able to focus on material issues and overall position, rather than being side tracked by detail 	<ul style="list-style-type: none"> When reviewing audit reports, findings will include areas of higher risk or materiality to the organisation, but may also highlight more minor errors or control failures. The audit committee member will need to pitch their review at an appropriate level to avoid spending too much time on detail
Questioning and constructive challenge	<ul style="list-style-type: none"> Able to frame questions that draw out relevant facts and explanations Challenging performance and seeking explanations while avoiding hostility or grandstanding 	<ul style="list-style-type: none"> The audit committee will review reports and recommendations to address weaknesses in internal control. The audit committee member will seek to understand the reasons for weaknesses and ensure a solution is found
Focus on improvement	<ul style="list-style-type: none"> Ensuring there is a clear plan of action and allocation of responsibility 	<ul style="list-style-type: none"> The outcome of the audit committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities Where errors or control failures have occurred, then the audit committee should seek assurances that appropriate action has been taken
Able to balance practicality against theory	<ul style="list-style-type: none"> Able to understand the practical implications of recommendations to understand how they might work in practice 	<ul style="list-style-type: none"> The audit committee should seek assurances that planned actions are practical and realistic

Skills	Key elements	How the audit committee member is able to apply the skill
Clear communication skills and focus on the needs of users	<ul style="list-style-type: none"> Support the use of plain English in communications, avoiding jargon, acronyms, etc 	<ul style="list-style-type: none"> The audit committee will seek to ensure that external documents such as the AGS and the narrative report in the accounts are well written for a non-expert audience
Objectivity	<ul style="list-style-type: none"> Evaluate information on the basis of evidence presented and avoiding bias or subjectivity 	<ul style="list-style-type: none"> The audit committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the committee member will need to weigh up differing views
Meeting management skills	<ul style="list-style-type: none"> Chair the meetings effectively: summarise issues raised, ensure all participants are able to contribute, focus on the outcome and actions from the meeting 	<ul style="list-style-type: none"> These skills are essential for the audit committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members

APPENDIX D

Self-assessment of good practice

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

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

Good practice questions		Yes	Partly	No
Audit committee purpose and governance				
1	Does the authority have a dedicated audit committee?			
2	Does the audit committee report directly to full council? (applicable to local government only)			
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?			
4	Is the role and purpose of the audit committee understood and accepted across the authority?			
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?			
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?			
Functions of the committee				
7	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?			
	■ good governance			
	■ assurance framework, including partnerships and collaboration arrangements			
	■ internal audit			
	■ external audit			
	■ financial reporting			
	■ risk management			
	■ value for money or best value			

Good practice questions		Yes	Partly	No
	■ counter fraud and corruption			
	■ supporting the ethical framework			
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?			
9	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?			
10	Where coverage of core areas has been found to be limited, are plans in place to address this?			
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?			

Membership and support

12	Has an effective audit committee structure and composition of the committee been selected? This should include: ■ separation from the executive ■ an appropriate mix of knowledge and skills among the membership ■ a size of committee that is not unwieldy ■ consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement)			
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?			
14	Does the chair of the committee have appropriate knowledge and skills?			
15	Are arrangements in place to support the committee with briefings and training?			
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?			
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?			
18	Is adequate secretariat and administrative support to the committee provided?			

Good practice questions		Yes	Partly	No
Effectiveness of the committee				
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?			
20	Are meetings effective with a good level of discussion and engagement from all the members?			
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?			
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?			
23	Has the committee evaluated whether and how it is adding value to the organisation?			
24	Does the committee have an action plan to improve any areas of weakness?			
25	Does the committee publish an annual report to account for its performance and explain its work?			

Evaluating the effectiveness of the audit committee

Assessment key

5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Promoting the principles of good governance and their application to decision making	<ul style="list-style-type: none"> ■ Supporting the development of a local code of governance ■ Providing robust review of the AGS and the assurances underpinning it ■ Working with key members/PCC and chief constable to improve their understanding of the AGS and their contribution to it ■ Supporting reviews/audits of governance arrangements ■ Participating in self-assessments of governance arrangements ■ Working with partner audit committees to review governance arrangements in partnerships 		

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Contributing to the development of an effective control environment	<ul style="list-style-type: none"> ■ Actively monitoring the implementation of recommendations from auditors ■ Encouraging ownership of the internal control framework by appropriate managers ■ Raising significant concerns over controls with appropriate senior managers 		
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks	<ul style="list-style-type: none"> ■ Reviewing risk management arrangements and their effectiveness, eg risk management benchmarking ■ Monitoring improvements ■ Holding risk owners to account for major/strategic risks 		
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively	<ul style="list-style-type: none"> ■ Specifying its assurance needs, identifying gaps or overlaps in assurance ■ Seeking to streamline assurance gathering and reporting ■ Reviewing the effectiveness of assurance providers, eg internal audit, risk management, external audit 		
Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence	<ul style="list-style-type: none"> ■ Reviewing the audit charter and functional reporting arrangements ■ Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements ■ Actively supporting the quality assurance and improvement programme of internal audit 		

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements	<ul style="list-style-type: none"> ■ Reviewing how the governance arrangements support the achievement of sustainable outcomes ■ Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place ■ Reviewing the effectiveness of performance management arrangements 		
Supporting the development of robust arrangements for ensuring value for money	<ul style="list-style-type: none"> ■ Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee ■ Considering how performance in value for money is evaluated as part of the AGS 		
Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks	<ul style="list-style-type: none"> ■ Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014) ■ Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks ■ Assessing the effectiveness of ethical governance arrangements for both staff and governors 		

Areas where the audit committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment: 5 – 1 See key above
Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability	<ul style="list-style-type: none"> ■ Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English ■ Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency ■ Publishing an annual report from the committee 		

Appendix 2

Self-Assessment of Good Practice

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

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

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

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

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

North East Derbyshire District Council

**Audit and Corporate Governance Scrutiny
Committee**

27 November 2019

<p>Corporate Plan Targets Performance Update July to September 2019 (Q2 – 2019/2020)</p>

Report of the Information, Engagement and Performance Manager

This report is public

Purpose of the Report

- To report the Quarter 2 outturns for the Corporate Plan 2019-2020 targets.

1 Report Details

1.1 The attached contains the performance outturn as of 30 September 2019 (information compiled on 13 November 2019).

1.2 A summary by corporate plan target is provided below:

1.3 Unlocking our Growth Potential

- 8 targets in total
- 6 targets on track
- 1 target previously extended:

- **G 09** - *Ensure preparation of the Local Plan is in line with the adopted timetable and report annually in December through the statutory Authority Monitoring Report* - The Local Plan is currently on hold pending consideration of the options in relation to Housing Numbers and Green Belt Allocations.

- 1 target has been placed on alert as it may not achieve its intended outcome:

- **G 12** - *Through a programme of targeted refurbishment bring 10 empty properties per year back into use by March 2020.* To date 2 long term empty properties have been brought back into use at the end of this quarter. See Appendix for further information

1.4 Providing our Customers with Excellent Service

- 9 targets in total
- 9 targets on track

1.5 **Supporting our Communities to be Healthier, Safer, Cleaner and Greener**

- 8 targets in total
- 8 targets on track

1.6 **Transforming our Organisation**

- 2 targets in total
- 1 target on track
- 1 target has been placed on alert as it may not achieve its intended outcome:
 - **T 11** - *Increase on-line self service transactions dealt with by the Contact Centre by 20% per year.* – Year to date 1077 on-line self-service transactions received against an annual target of 3289 transactions. See appendix for further information

2 Conclusions and Reasons for Recommendation

- 2.1 Out of the 27 targets 24 (88%) are on track, 2 (8%) targets are on alert and 1 (4%) target previously extended.
- 2.2 This is an information report to keep Members informed of progress against the corporate plan targets noting achievements and any areas of concern.

3 Consultation and Equality Impact

- 3.1 Not applicable to this report as consultation was carried out on the original Corporate Plan. However individual projects may require consultation exercises and equality impact assessments.

4 Alternative Options and Reasons for Rejection

- 4.1 Not applicable to this report as providing an overview of performance against agreed targets

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 No finance or risk implications within this performance report. Finance and risk implications will be assessed for individual targets.

5.2 Legal Implications including Data Protection

- 5.2.1 No legal implications within this performance report.

5.3 Human Resources Implications

- 5.3.1 No human resource implications within this performance report.

6 **Recommendations**

6.1 That progress against the Corporate Plan 2019-2020 targets to 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	Yes
District Wards Affected	Not applicable
Links to Corporate Plan priorities or Policy Framework	All

8 **Document Information**


Appendix No	Title
1	Corporate Plan Targets Update – Q2 July – September 2019
Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)	
Report Author	Contact Number
Kath Drury, Information, Engagement and Performance Manager.	01246 242280

North East Derbyshire District Council
Corporate Plan Targets Update – Quarter 2 July to September 2019

Status key

Target Status	Usage
 On Track	The target is progressing well against the intended outcomes and intended date.
 Alert	The target is six months off the intended completion date and the required outcome may not be achieved.
 Extended	The date for completion of this target has been formally extended by SAMT and/or Members.

Aim – Unlocking our Growth Potential

Key Corporate Target	Directorate	Status		Progress	Target Date
G 01 - Through the use of Key Account Management develop a relationship with a minimum of 25 local businesses by March 2020.	Place	On Track		Q2 – 14 businesses assisted to date The Council's Firmstep KAM project was completed - enabling better relationship management with businesses across the Council area.	Mar-20

Key Corporate Target	Directorate	Status		Progress	Target Date
				<p>Business networks held in April, May and June - average attendance 30 businesses.</p> <p>See PERFORM for businesses assisted.</p>	
G 04 - Through the Bolsover North East Derbyshire LEADER Approach collectively support the creation of 40 sustainable jobs in the combined programme area by December 2020.	Place	On Track		<p>Q2: The programme has now approved 37 projects totalling £1,236,034.15. These projects are committed to generating £1,616,173.35 match funding and creating 68.82FTE jobs, which is a unit cost of £17,960 per job. The programme closed nationally to new applications on 30th September 2019 and no further applications will be considered. Focus for the programme will now be directed to monitoring, claims, site inspections, evaluation, LAG visits and preparations for closure in March 2021. Note: Jobs total relates to the period 2015-2020 – to date 68.82 FTE jobs created</p>	Dec-20
G 06 - Provide pre-employment activities to at least 60 unemployed residents per year.	Place	On Track		<p>Q2 - 39 residents have been supported with pre-employment activities</p> <p>To date 99 residents assisted</p>	Mar-20

Key Corporate Target	Directorate	Status		Progress	Target Date
G 07 - Support at least 20 unemployed residents into employment per year.	Place	On Track		Q2 - 12 residents have been supported into employment To date 32 residents assisted	Mar-20
G 09 - Ensure preparation of the Local Plan is in line with the adopted timetable and report annually in December through the statutory Authority Monitoring Report	Place	Extended		Q2 - The Local Plan is currently on hold pending consideration of the options in relation to Housing Numbers and Green Belt Allocations.	Mar-20
G 10 - Process all major planning applications 10% better than the minimum for special measures per annum.	Place	On Track		Q2 - For the period from October 2018 to September 2019 the Council's current outturn (after 4 quarters) is 97% (32 of 33 applications) Target 2019/20: 70%, Special Measures 60%	Mar-20
G 12 - Through a programme of targeted refurbishment bring 10 empty properties per year back into use by March 2020.	Place	Alert		Q2 To date 2 long term empty properties have been brought back into use at the end of this quarter. Through the promotion of the E.ON empty property scheme, 21 empty properties have been referred to the service and E.ON are working with the owners; to bring these properties back into	Mar-20

Key Corporate Target	Directorate	Status		Progress	Target Date
				<p>use. 1 property has been renovated and is now occupied. 4 Properties have been completed and the drainage works outside the properties are being finalised - these properties have been advertised for sale on Right Move and 1 has already been sold subject to contract. The remaining 15 properties are in the process of being brought back into use by E.ON and the Council and it is expected that the majority of these will be fit for occupation by the end of March 2020.</p> <p>The contract with E.ON is being reviewed at Cabinet in November 2019 and it has been proposed to extend this for another year, due to the success of the scheme. In September, the Empty Property Officer gave a presentation to empty homes professionals at the National Empty Homes Conference (which was attended by over 100 delegates) along with E.ON; to demonstrate how the scheme works and to celebrate NEDDC's success. The presentation and scheme received widespread praise (being the first of its kind in the UK) and a number of authorities are keen to emulate the scheme in their area.</p> <p>The Empty Property Officer is working in partnership with Environmental Health to enforce the sale of a problematic property in Clay Cross. Due to the complexities of this specific case, it is expected that the property will be sold within the next</p>	

Key Corporate Target	Directorate	Status		Progress	Target Date
				<p>6-12 months. Assuming the Council are successful with the sale of this property, the result will be publicised to deter owners from leaving their properties empty.</p> <p>The Council are considering a proposal to purchase 6-7 private empty properties, to bring them back into use by leasing them to Housing Associations who provide support. It has been identified through a Housing Needs Study, that there is a need for more supported accommodation across the District. The Council will be going back to Cabinet in November, to get a decision on this scheme.</p>	
G 13 - Work with partners to deliver an average of 100 affordable homes each year.	Place	On Track		Q.2. - The actual number of affordable housing completions is reported after financial year end. It is estimated that there have been 35 units completed this quarter, with a further 142 on sites currently under construction.	Mar-20

Aim – Providing our Customers with Excellent Service

Key Corporate Target	Directorate	Status		Progress	Target Date
C 03 - Achieve a consistent annual satisfaction rate of 80% or above for leisure, recreation and cultural activities and services.	People	On Track		Q2 - The 2019 Customer satisfaction survey is currently being undertaken (in the field 28/10/19 – 10/11/19) across the 3 Leisure facilities. 2018/19- 83.6% satisfaction recorded against a target of 80%	Mar-20
C 05 - Reduce the average time to relet void Council properties to 22 days by March 2020 (HCA core definition).	Place	On Track		Q2 - 13 Days	Mar-20
C 06 - Complete to target 98.9% of all responsive repairs on Council properties each year.	Place	On Track		Q2 - 99.24%	Mar-20
C 10 - Monitor performance against the corporate equality objectives and publish information annually	People	On Track		Q2 - The Council signed the British Sign Language Charter. The event was held at Mill Lane with over 30 people predominantly from the deaf community attending. Speakers for the event included the Leader of the Council, Chair of the North Derbyshire Deaf Forum and Chair of the British Deaf Association. The Charter is a commitment to audit our services and improve service delivery for the deaf community. An EIA was conducted on the digital transformation strategy. As an improvement to the strategy information was added to include the benefits of digital inclusion to people with disabilities.	Mar-20

Key Corporate Target	Directorate	Status		Progress	Target Date
				An EIA was conducted on the payment kiosk at Mill lane with no adverse impacts identified.	
C 11 - Achieve an overall annual success rate of 40% for households who considered themselves homeless for whom casework resolved the situation.	Place	On Track		<p>Q2 we opened 65 cases:</p> <p>48 prevention cases where people were threatened with homelessness</p> <p>17 relief cases where people were already homeless</p> <p>The National average for cases opened at prevention stage is 55% (NEDDC average 76%). It is important to have a higher percentage of prevention vs relief to limit emergency housing costs. Our performance in this area reflects the intense work we put into preventing homelessness in the district.</p> <p>In Q2 we recorded 62 positive outcomes where homelessness or the threat of homelessness was resolved</p> <p>42 positive outcomes at prevention stage</p> <p>20 positive outcomes at relief stage</p> <p>In Q2 we saw a positive completion percentage of cases opened vs cases closed of 95%</p>	Mar-20
C 12 - Invest in voluntary and community organisations to assist over 13,000 vulnerable and	People	On Track		<p>Q2: In 2018/19 22,944 households were supported by the 6 main funded vol-com groups, an increase from 20,832 in 2017/18. Presentations from supported groups are scheduled throughout the year.</p>	Mar-20

Key Corporate Target	Directorate	Status		Progress	Target Date
disadvantaged households year on year.				Following a review by Cabinet, allocations for 2019/20 have been confirmed.	
C 14 - Process all new Housing Benefit and Council Tax Support claims within an average of 21 days.	People	On Track		Q2 – 16.04 days. Overall for period 01/04/2019 – 30/09/2019 – 16.28 Days	Mar-20
C 15 - Process changes to Housing Benefit and Council Tax Support within an average of 9 days.	People	On Track		Q2 – 4.10 days. Overall for period 01/04/2019 – 30/09/2019 – 4.32 Days	Mar-20
C 16 - Ensure all properties (with a gas supply) have a current gas safety certificate	Place	On Track		Q2 - 99.99% One abandoned property in legal process – awaiting expiry of legal notice before entry	Mar-20

Aim – Supporting our Communities to be Healthier, Safer, Cleaner and Greener

Key Corporate Target	Directorate	Status		Progress	Target Date
H 02 - Increase participation/attendances in leisure, sport, recreational, health, physical and cultural activity by 5,000 per year.	People	On Track		Q2 - Quarterly target is 183,750 as detailed in the leisure service plan. Actual attendance recorded through July, August & September was 183,775. This is 25 above the set target and an increase of 8,259 against the previous year. The improvements are largely down to increased membership & swimming lesson	Mar-20

Key Corporate Target	Directorate	Status		Progress	Target Date
				attendance and the success of the new 7-4-1 junior swimming promotion which ran through the 6 week school holidays.	
H 03 - Deliver a health intervention programme which provides 485 adults per year with a personal exercise plan via the exercise referral scheme.	People	On Track		Target Q2 - 65 Actual Q2 - 67 Target Q1 + Q2 - 129 Actual Q1 + Q2 - 147	Mar-20
H 06 - Assist partners in reducing crime and antisocial behaviour by delivering 10 targeted crime reduction campaigns with a minimum of 200 people attending each year.	Place	On Track		Q2 2019/20 Tupton Carnival - over 200 people engaged with Wingerworth Fun day - over 175 people engaged with Continue with the targeted cracking crime with PCSO involvement - 50 people have been visited and target hardening has been provided. To date 5 events held.	Mar-20
H 07 - Achieve a combined recycling and composting rate of 47% by March 2020.	People	On Track		Q2 (2019/20) performance is estimated on Q2 (2018/19) Waste Data Flow information due to the data not being available until ending Dec 2019. It is estimated 4966.49 tonnes of recyclable\compostable waste will have been diverted, yielding a recycling rate of 49.9 % between July and September 2019. Q1 (2019/20) Actual - 5664.43 tonnes of recyclable\compostable waste reported via Waste Data Flow, yielding a combined recycling rate of 51.9 % between April and June 2019.	Mar-20
H 08 - Sustain standards of litter cleanliness to achieve 96% of streets each year meet an acceptable level as assessed	People	On Track		Q2 (2019/20) LEQS's established 3.78 % of streets and relevant land surveyed fell below grade B cleanliness standards resulting in 96.22 % meeting the target standard. Combined (Q1 & Q2) performance is 3.11 % falling below grade B, resulting in 96.89	Mar-20

Key Corporate Target	Directorate	Status		Progress	Target Date
by Local Environment Quality Surveys (LEQS).				% meeting the 96% target, this represents a decrease in performance from Q1.	
H 09 - Sustain standards of dog fouling cleanliness to ensure 98% of streets each year meet an acceptable level as assessed by Local Environment Quality Surveys (LEQS).	People	On Track		Q2 (2019/20) LEQS's established 0.00 % of streets and relevant land surveyed fell below grade B cleanliness standards resulting in 100 % land surveyed meeting the target standard. Combined (Q1 & Q2) performance is 0.22% falling below grade B, resulting in 99.78 % and meeting the 98% target.	Mar-20
H 10 - Annually undertake 10 local environmental enforcement and educational initiatives in targeted areas to deal with dog fouling, littering or fly tipping.	Place	On Track		Q2 - 7 initiatives were undertaken during quarter 2. Eckington - PDSA event Clay Cross-patrol and an event Eckington -patrol Tupton - event Holmewood - event Dronfield - event To date 7 events held	Mar-20
H 12 - Support the development and delivery of projects as part of the £1 million 'Grassland Hasmoor...' Big Local scheme by March 2020.	People	On Track		Q2: The "Expert Advisor" commissioned to help develop larger projects and a new LTO organisation from 1st April 2020 has been progressing and "Grassland Hasmoor Futures" has been incorporated and registered with Companies House to fulfil this role. Larger projects under consideration are developing a Hasland Hub, Grassmoor Community Pavilion and investment into property to generate legacy. The commission to provide youth provision in Grassmoor commenced in September 2019.	Mar-20

Aim – Transforming our Organisation

Key Corporate Target	Directorate	Status		Progress	Target Date
T 07 - Collect a minimum of 97.38% rent on Council properties each year.	Place	On Track		Q2: 92.36% collected against a profiled target for Q2 of 92%. On target to achieve year end collection.	Mar-20
T 11 - Increase on-line self service transactions dealt with by the Contact Centre by 20% per year.	People	Alert		<p>Q2 - 538 service requests received and 229 self-service accounts created. More on-line self-form have been added to incorporate new bin / replacement bins, further work taking place to incorporate missed bins.</p> <p>Year To Date 1077 on-line self-service transactions (and 2121 self-service accounts)</p> <p>Target for 2019/20 = 3289 (2018/19 transactions total, 2741 + 20% (822))</p>	Mar-20

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

27 November 2019

Committee Work Programme 2019/2020

Report of the Joint Head of Corporate Governance and Monitoring Officer

This report is public

Purpose of the Report

- To enable the Audit and Corporate Governance Scrutiny Committee to consider an appropriate Work Programme for the municipal year 2019/2020.

1 Report Details

- 1.1 The Audit and Corporate Governance Scrutiny Committee considers a range of financial and governance issues on a regular basis. Given the number of matters that are examined by the Committee it is appropriate that an Annual Work Programme continues to be in place. This programme forms part of the report on the Scrutiny Committees Work Programmes 2019/2020. This has been submitted to Cabinet on 5 September 2019.
- 1.2 The Work Programme is set out in the attached **Appendix 1**. It should be recognised that the work plan is at this stage an indicative one to which matters may be added or removed as appropriate.
- 1.3 The Work Programme enables Members to give structured consideration as to whether the proposed agenda items are appropriate and serve to meet the objectives of the Committee. That question needs to be considered in the light of the Council's Constitution, Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance on the role of an Audit Committee and established good practice.

2 Conclusions and Reasons for Recommendation

- 2.1 To enable the Committee to consider its Work Programme for 2019/2020.

3 Consultation and Equality Impact

- 3.1 There are no consultation and equality impact matters arising directly from the content of this report.

4 **Alternative Options and Reasons for Rejection**

4.1 There are no other options proposed.

5 **Implications**

5.1 **Finance and Risk Implications**

The development of a Work Programme for the Audit and Corporate Governance Scrutiny Committee will provide an appropriate structure to assist and support the Committee's work. This will help to ensure that the Committee continues to operate effectively and that the Council's governance/scrutiny and accountability arrangements remain robust. The Programme is designed to allow the Audit and Corporate Governance Scrutiny Committee to continue its flexible approach to its work and consider the range of matters which are within its remit.

There are no financial issues arising from the 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 issues arising from the report.

6 **Recommendations**

6.1 That the Committee notes and endorses the Audit and Corporate Governance Scrutiny Work Programme 2019/2020 as set out in the attached **Appendix 1**.

7 **Decision Information**

Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: <i>BDC:</i> <i>Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC:</i> <i>Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input checked="" 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	None Directly
Links to Corporate Plan priorities or Policy Framework	High Performing Council

8 Document Information

Appendix No	Title
1	Audit and Corporate Governance Scrutiny Committee Work Programme 2019/2020
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)	
N/A	
Report Author	Contact Number
Alan Maher Senior Governance Officer	01246 217391

AGIN9(1127)2019 - Work Programme

**AUDIT AND CORPORATE GOVERNANCE SCRUTINY COMMITTEE: PROPOSED
WORK PROGRAMME 2019/2020**

<u>DATE OF MEETING</u>	<u>ITEM</u>
25 July 2019	<ul style="list-style-type: none"> • Report of Those Charged with Governance ISA260 • NEDDC Statement of Accounts 2018/19 • Financial Outturn 2018/19 • Quarter 1 Financial Monitoring 2019/20 • Performance Management Quarter 1 2019/20 • Internal Audit Charter • Summary of Progress on the Annual Internal Audit Plan 2019/20
11 September 2019	<ul style="list-style-type: none"> • Annual Audit letter 2018/19 (External Auditor) • Presentation by Arlingclose – Treasury Management and Investment Opportunities • Strategic Risk Register and Partnership Arrangements • Work Programme • Role of the Head of Internal Audit
27 November 2019	<ul style="list-style-type: none"> • Summary of Internal Audit Reports 2019/20 • Revised Budget 2019/20 • Monitoring the Implementation of Internal Audit Recommendations • Evaluate the Effectiveness of the Audit and Corporate Governance Committee • Performance Management Q2 2019/20 • Quarter 2 Financial Monitoring 2019/20 • Strategic Risk Register and Partnership Arrangements • Corporate Debt – Quarter 2 • Review of Terms of Reference • Work Programme
30 January 2020	<ul style="list-style-type: none"> • Medium Term Financial Plan 2020/21 – 2023/24 • Treasury Management Strategies 2020/21 – 2023/24 • Proposed Accounting Policies 2019/20 • Summary of Progress on the Annual Internal Audit Plan 2019/20 • Fighting Fraud and Corruption Locally • Performance Management Q3 2019/20 • Corporate Debt Q3 • Financial Procedures within Constitution Review • Work Programme
30 April 2020	<ul style="list-style-type: none"> • Annual Review of Effectiveness of Internal Audit • Report of the External Auditor – Audit Plan 2020/21 • Report of the External Auditor – Progress report and Technical Update • Internal Audit Plan • Corporate Plan – Quarter 4 • Performance Management Quarter 4 2019/20

	<ul style="list-style-type: none"> • Strategic Risk Register and Partnership Arrangements • Performance Management Quarter 4 - 2019/20 • Annual Governance Statement • Work Programme
28 May 2020	<ul style="list-style-type: none"> • Internal Audit Consortium: Annual Report 2017/2018 • Summary of Internal Audit Reports Issued 2017/2018 • Annual governance Statement 2017/18 • Strategic Risk Register and Partnership arrangements • Performance Management Quarter 4 2017/18 • Monitoring of implementation of internal audit recommendations