

AUDIT & ACCOUNTS COMMITTEE

Date of Meeting: Wednesday 4 November 2015
Time: 9.30 am
Venue: G21, Kelham Hall

Telephone: 01636 655882
Email: helen.bayne@nsdc.info
Your ref:
Our ref:

Tuesday 27 October 2015

To: All Members of the Audit & Accounts Committee

You are hereby requested to attend the above Meeting to be held at the time/place on the date mentioned above for the purpose of transacting the business on the Agenda as under.

Member's attention is drawn to the earlier start time to accommodate the Treasury Management training session to be held after the meeting.



A W Muter
Chief Executive

AGENDA
9:30 am, WEDNESDAY 4 NOVEMBER 2015

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Any questions relating to the agenda items should be submitted to David Dickinson- Director-Resources, at least 24 hours prior to the meeting in order that a full response can be provided.

Distribution

Councillors: B. Crowe
Mrs R. Crowe
Mrs M. Dobson
P. Handley
Mrs S.M. Michael (C)
D. Staples

Officers: D. Dickinson
N. Lovely
A. Hunt (Audit Lincs)
Lucy Pledge (Audit Lincs)
John Sketchley (Audit Lincs)
John Cornett (KPMG)
Helen Bayne (x2)

NEWARK & SHERWOOD DISTRICT COUNCIL

Minutes of the meeting of the **AUDIT & ACCOUNTS COMMITTEE** held in Room G21, Kelham Hall on Wednesday, 9 September 2015 at 10:00am.

PRESENT: Councillor Mrs S.M. Michael (Chairman)

Councillors: Mrs R. Crowe, R.A. Crowe, G.P. Handley and D. Staples.

ALSO IN ATTENDANCE: David Dickinson (Director – Resources (NSDC))
Nicky Lovely (Business Manager Financial Services NSDC)
Nicola Pickavance (Asst. Business Manager- Financial Services NSDC)
Amanda Hunt (Principal Auditor (Audit Lincolnshire))
John Sketchley (Audit Manager (Audit Lincolnshire))
John Cornett- (KPMG)

13. APOLOGIES FOR ABSENCE

Apologies for absence were submitted by Councillor Mrs M. Dobson.

14. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS AND AS TO THE PARTY WHIP

NOTED: that no Member or Officer declared any interest pursuant to any statutory requirement in any matter discussed or voted upon at the meeting.

15. DECLARATION OF ANY INTENTION TO RECORD THE MEETING

It was noted that there would be an audio recording of the meeting.

16. MINUTES OF MEETING HELD ON 24 JUNE 2015

The Director- Resources explained that with regard to Minute 6 and recovering money from the Icelandic Glitnir Bank, the documents would shortly be signed to finalise the deal for the Council to recover a total of 96.75% of the original investment.

AGREED that the Minutes of the meeting held on 24 June 2015 be approved as a correct record and signed by the Chairman.

17. EXTERNAL AUDIT ANNUAL GOVERNANCE REPORT

John Cornett (KPMG) was in attendance to present the External Auditors Annual Governance Report for 2014/15. The External Auditor proposed to issue an unqualified opinion on the 2014/15 Statement of Accounts.

The Auditor was also satisfied that the Council was meeting the Value for Money (VFM) criterion. It was anticipated that the opinions would be issued prior to 30 September 2015 on the Authority's financial statements and VFM conclusion.

A number of presentational and disclosure adjustments were required to the accounts,

and a number of errors in the compilation of the property, plants and equipment notes and classification issues were noted. These were detailed within the report and it was noted that they did not affect the outturn position of the accounts.

Members raised concern over the adjustments that had been required, and officers explained that the errors highlighted by the audit were within the most technical part of the accounts. Changes in timetabling to produce the accounts earlier had meant additional time pressure and the classification errors had not been picked up by officers. The Committee acknowledged that the errors did not affect the reported outturn or financial position, and officers assured the Committee that the processes used for producing the accounts would be reviewed.

Mr Cornett, in response to a query from a member of the Committee clarified that Kelham Hall was not listed as an asset for disposal, as it was not due to be disposed in the next 12 month period. This would be relevant for the 2015/16 accounts.

Finally, Mr Cornett wished to express his thanks to the finance team for their professional, supportive and partnership based approach to the audit. The Committee also expressed their thanks to the finance team for their hard work.

AGREED That:

- (a) The Committee receives the External Auditors Annual Governance Report for 2014/15;
- (b) The Committee noted the adjustments to the financial statements set out on pages 4 of the report; and
- (c) The letter of representation signed by the Director- Resources be approved.

18. STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT

The Committee received the Statement of Accounts for approval in accordance with the Accounts and Audit Regulations 2011.

A number of changes were made to the Statement following the External Audit, including material errors within the Property, Plant and Equipment note. However, the errors were in respect of property valuation and classification and did not impact on the Council's surplus for the year. The Annual Governance Statement was also presented for approval. The Committee considered the report, noting the following:

- Council tax collection rates, since it was introduced in 1993, were at 99.25%. Some amounts were written off, usually where a person had died or moved from the area and was untraceable. Where possible, the Council would trace people in Council tax arrears;
- The levels of usable reserves were detailed within the accounts and it was clarified that these were held for specifically identified purposes, as opposed to the Council's level of general reserves;
- A query was raised by the Committee with regard to the budget and spending of the Economic Development Committee in the foreword to the accounts. Officers

agreed to seek further detail for the Committee, and in future to list variances on a Committee basis;

- The Committee acknowledged that the presentation of the accounts was not easily accessible to the public and many Councillors. However, Members understood that legislative requirements dictated the presentation and content; and
- With regard to the Annual Governance Statement, it was agreed that consideration of the draft would be undertaken to give an opportunity for the Committee to have a greater input into the draft Annual Governance Statement.

The Director- Resources and the Committee expressed their thanks to those officers involved in producing the Statement of Accounts.

AGREED That:

- (a) Members approve the Annual Governance Statement for the financial year ended 31 March 2015; and
- (b) Members approve the Statement of Accounts for the financial years ended 31 March 2015.

19. INTERNAL AUDIT PROGRESS REPORT

Amanda Hunt and John Sketchley - Audit Lincs, were in attendance to present the Internal Audit Progress report. Six audit reports had been issued since June, with two having Some Improvement Needed/Substantial levels of assurance, which were Contract Management and the Palace Theatre. It was noted that the assurance levels had been changed to High, Substantial, Limited and Low following feedback from clients.

Regarding outstanding recommendations, the Committee suggested that if these were not implemented by the next meeting of the Committee, or a revised date agreed they be included in the report and a response from officers be sought. Members also sought detail on what improvements were required as a result of the audits in Contract Management and the Palace Theatre.

AGREED that the latest internal audit progress report be noted.

20. REVISION OF POLICIES- ANTI-FRAUD AND CORRUPTION STRATEGY AND GUIDANCE FOR DEALING WITH IRREGULARITIES

The Business Manager- Financial Services presented two policies which had been revised. The Anti-Fraud and Corruption Strategy and the Guidance for Dealing with Irregularities had been previously reported to the Committee in 2012. The Committee considered the revised policies and noted that they would go onto the Policy and Finance Committee for approval.

AGREED That:

- (a) Members consider the revised Policies; and

(b) the Committee recommend to the Policy and Finance Committee the approval of the Anti-Fraud and Corruption Strategy and the Guidance for dealing with Irregularities.

21. FRAUD RISK ASSESSMENT

The Committee considered a report regarding work undertaken to update the fraud risk register during August 2015. All of the services provided by the Council had been considered to understand where fraud may occur, and the types of fraud had also been considered to determine any new risks to the Council. Twenty areas of Council activity were considered to be at risk of fraud, and no new areas or types of fraud had been identified. Details of the changes to the risk ratings was included in the report, alongside the reasoning for the change. Further actions to be undertaken to mitigate the fraud risks were also detailed.

The Committee noted that the Strategic Risks would be considered separately, likely at their meeting in February and the Counter Fraud activity report was received bi-annually. Members requested details on any written guidance or practice regarding reporting fraud activity to the Committee.

AGREED That the report be noted.

22. REVISION OF POLICIES- ANTI- MONEY LAUNDERING POLICY

The Committee considered the revised Anti Money Laundering Policy, which had been previously reviewed in 2010. There was general agreement that despite the fact that the policy was not used frequently, it was very important that the Council had a policy in place.

AGREED that the revised Anti-Money Laundering Policy be approved.

23. CONCLUSIONS FROM KNOWLEDGE AND SKILLS QUESTIONNAIRE

The Business Manager- Financial Services presented the responses and conclusions from the Knowledge and Skills Questionnaire, which had been recently undertaken by Members of the Committee. No areas of urgent training were identified, but there were a number of areas highlighted where further information would enhance Members' ability to support the Council's governance arrangements.

AGREED That the Committee:

- (a) Noted the areas where further information would be provided;
- (b) Attend a Treasury Management training session after the Committee meeting held on 4 November; and
- (c) Note that further information would be provided in a report to be brought to the November meeting of the Committee.

24. RESPONSES TO QUESTIONS RAISED AT PREVIOUS MEETING

AGREED That the responses to questions raised at the previous meeting be noted.

25. WORK PLAN

AGREED that, subject to the External Auditor's Certification of Grant Claims and Returns report being moved to the February meeting, the Work Plan be noted.

26. DATE OF NEXT MEETING

NOTED that the date of the next meeting was Wednesday, 4th November 2015 at 9:30am. A Training session with the Council's Treasury Management Advisors Arlingclose, would take place at 11am, following the meeting.

The meeting closed at 11.25am

Chairman

4TH NOVEMBER 2015

TREASURY MANAGEMENT 2015-16 MID YEAR REPORT

1. Purpose of Report

- 1.1. This report provides an update on the Council's treasury activity and prudential indicators for the first half of 2015/16. As indicated in the report none of the Prudential Indicators have been breached and a prudent approach has been taken in relation to the investment activity, with priority being given to security and liquidity over yield.

2. Background Information

- 2.1. The Council's Treasury Management Strategy has been underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011, which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year.
- 2.2. The Code also recommends that members are informed of Treasury Management activities at least twice a year. This report therefore ensures that this Authority is embracing best practice in accordance with CIPFA's recommendations.
- 2.3. Treasury Management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

3. Economic Background

- 3.1. Appendix A gives a report on the economic background from our Treasury Consultants, Arlingclose.

4. Local Context

- 4.1. At 31/3/2015 the Authority's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £122m, while usable reserves and working capital which are the underlying resources available for investment were £43.2m.
- 4.2. At 31/3/2015, the Authority had £94m of borrowing and £17m of investments. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing.
- 4.3. The Authority has an increasing CFR over the next 2 years due to the capital programme, but minimal investments and may therefore be required to borrow up to £6m over the forecast period.

5. **Borrowing Strategy**

5.1. At 30/9/2015 the Authority held £92m of loans, (a decrease of £2m on 31/3/2015), as part of its strategy for funding previous years' capital programmes.

5.2. The Authority does not expect to borrow in 2015/16.

5.3. **Borrowing Activity in 2015/16**

	Balance on 01/04/2015 £m	Debt Repaid £m	New Borrowing £m	Balance on 30/09/2015 £m
CFR	122.1			123.9
Short Term Borrowing	3.83	6.33	5.33	2.83
Long Term Borrowing	90.16	1.01	0.00	89.15
TOTAL BORROWING	93.99	7.34	5.33	91.98
Other Long Term Liabilities	0.22	0	0	0.22
TOTAL EXTERNAL DEBT	94.21	7.34	5.33	92.2
Increase/ (Decrease) in Borrowing £m				(2.01)

5.4. **PWLB Certainty Rate and Project Rate Update:** The PWLB introduced a 'Certainty Rate' for borrowing in 2013 which is 0.20% below the PWLB standard rate. The rate is made available for a 12 month period, in return for the Council providing advance information about its capital investment plans. In April 2015 the Council submitted its application to CLG along with the 2015/16 Capital Estimates Return to access this reduced rate for a further 12 month period from 01/11/2015.

5.5. **LOBOs:** The Authority holds £16.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. None of these LOBOS had options during the first 6 months of this financial year. £3.5m of these LOBOS have an option in the next 6 months. The Authority acknowledges there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options.

5.6. **Internal borrowing:** For the Council the use of internal resources in lieu of borrowing has continued to be the most cost effective means of funding of capital expenditure that has not been funded from grants and other resources. This has lowered overall treasury risk by reducing both external debt and temporary investments. However this position will not be sustainable over the medium term as the Council needs to use reserves for the purpose they were set aside for, and external borrowing may need to be undertaken.

5.7. **Debt rescheduling:** The premium charge for early repayment of PWLB debt remains relatively expensive for the loans in the Authority's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

6. Investment Activity

6.1. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a return commensurate with these principles.

6.2. Investment Activity in 2015/16

Type of Investment	Balance on 01/04/2015 £m	New Investments £m	Investments Repaid £m	Balance on 30/09/2015 £m	Average Interest Rate
Short term Investments:					
Fixed Term Deposits	0.43	5.00	0.43	5.00	0.57%
Money Market Funds	10.71	54.48	56.55	8.64	0.41%
Bank Call Accounts	5.95	11.07	11.46	5.56	0.58%
Total Short term Investments	17.09	70.55	68.44	19.2	
Long term Investments	0	0	0	0	
TOTAL INVESTMENTS	17.09	70.55	68.44	19.2	
Increase/ (Decrease) in Investments				2.11	

6.3. Security of capital has remained the Authority's main investment objective. This has been maintained by following the Authority's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16.

6.4. **Investments with Icelandic Banks** – Following a partial repayment in 2012, a further final amount of £297,943.62 was received on 24th September 2015. The Council has recovered 96.9% of its original investment of £2,000,000. The loss amounts to £62,158.

6.5. Appendix B gives a report on the Counterparties from our Treasury Consultants, Arlingclose.

7. Prudential Indicators

7.1. The Council can confirm that it has complied with its Prudential Indicators for 2015/16, which were set on 10th March 2015 as part of the Council's Treasury Management Strategy Statement.

7.2. **Upper Limits for Fixed and Variable Interest Rate Exposure.** These indicators allow the Council to manage the extent to which it is exposed to changes in external interest rates.

£m	Approved 2015/16 £m	Actual to 30/09/2015 £m
Fixed		

Upper Limit for Exposure on Debt	118.7	89.2
Upper Limit for Exposure on Investments	-5.3	0
Net Fixed Exposure	113.4	89.2
<u>Variable</u>		
Upper Limit for Exposure on Debt	29.6	2.8
Upper Limit for Exposure on Investments	-24.7	-19.2
Net Variable Rate Exposure	4.9	-16.4

- 7.3. **Maturity Structure of Fixed Rate Borrowing.** This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

	Upper Limit %	Actual at 30/09/15 £	Actual at 30/09/15 %	Compliance
Under 12 months	15%	£7.5m	8.4%	Yes
12-24 months	15%	£7.5m	8.4%	Yes
2-5 years	30%	£7.6m	8.5%	Yes
5-10 years	100%	£23.2m	26%	Yes
Over 10 years	100%	£43.5m	48.7%	Yes

- 7.4. **Principal Sums Invested for over 364 Days.** All investments were made on a short-term basis and there were no investments for more than 364 days.

- 7.5. **Authorised Limit and Operational Boundary for External Debt.** The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached. The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The s151 Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2015/16.

	Approved Operational Boundary 2015/16 £m	Authorised Limit 2015/16 £m	Actual External Debt 30/09/15 £m
Borrowing	128.3	148.3	92
Other Long Term Liabilities	0.4	0.6	0.2
Total	128.7	148.9	92.2

8. Outlook for Q3 and Q4 2015/16

- 8.1. Appendix C gives a summarised outlook for the rest of the current financial year from our Treasury Consultants, Arlingclose. Appendix D gives details of interest rates for borrowing and investments.

9. **RECOMMENDATIONS** that:-

- (a) the treasury activity be noted; and
- (b) the Prudential Indicators detailed in Section 7 of the report be noted.

Background Papers

Nil.

For further information please contact Tara Beesley, Accountant on extension 5328.

D. Dickinson

Director – Resources

As the year began, economic data was largely overshadowed by events in Greece. Markets' attention centered on the never-ending Greek issue stumbled from turmoil to crisis, running the serious risk of a disorderly exit from the Euro. The country's politicians and the representatives of the 'Troika' of its creditors - the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF) – barely saw eye to eye. Greece failed to make a scheduled repayment to the IMF on 30th June, in itself not a default until the IMF's Managing Director declares it so. Prime Minister Tsipras blindsided Greece's creditors by calling a referendum on 5th July on reform proposals which by then were off the table anyway. The European Central Bank froze liquidity assistance provided to Greek banks and capital controls within the country severely restricted individuals' and corporates' access to cash.

On 12th July, following a weekend European Union Summit, it was announced that the terms for a third bailout of Greece had been reached. The deal amounting to €86 billion was agreed under the terms that Greece would see tax increases, pension reforms and privatisations; the very reforms Tsipras had vowed to resist. This U-turn saw a revolt within the ruling Syriza party and on 27th August, Alexis Tsipras resigned from his post as Prime Minister of Greece after just eight months in office by calling a snap election, held on 20th September. This gamble paid off as Tsipras led his party to victory once again, although a coalition with the Independent Greeks was needed for a slim parliamentary majority. That government must now continue with the unenviable task of guiding Greece through the continuing economic crisis – the Greek saga is far from over.

The summer also saw attention shift towards China as the Shanghai composite index (representing China's main stock market), which had risen a staggering 50%+ since the beginning of 2015, dropped by 43% in less than three months with a reported \$3.2 trillion loss to investors, on the back of concerns over growth and after regulators clamped down on margin lending activity in an effort to stop investors borrowing to invest and feeding the stock market bubble. Chinese authorities intensified their intervention in the markets by halting trading in many stocks in an attempt to maintain market confidence. They surprised global markets in August as the People's Bank of China changed the way the yuan is fixed each day against the US dollar and allowed an aggressive devaluation of the currency. This sent jitters through Asian, European and US markets impacting currencies, equities, commodities, oil and metals. On 24th August, Chinese stocks suffered their steepest one-day fall on record, driving down other equity markets around the world and soon becoming known as another 'Black Monday'. Chinese stocks have recovered marginally since and are trading around the same level as the start of the year. Concerns remain about slowing growth and potential deflationary effects.

UK Economy: The economy has remained resilient over the last six months. Although economic growth slowed in Q1 2015 to 0.4%, year/year growth to March 2015 was a relatively healthy 2.7%. Q2 2015 GDP growth bounced back and was confirmed at 0.7%, with year/year growth showing

slight signs of slowing, decreasing to 2.4%. GDP has now increased for ten consecutive quarters, breaking a pattern of slow and erratic growth from 2009. The annual rate for consumer price inflation (CPI) briefly turned negative in April, falling to -0.1%, before fluctuating between 0.0% and 0.1% over the next few months. In the August Quarterly Inflation Report, the Bank of England projected that GDP growth will continue around its average rate since 2013. The Bank of England's projections for inflation remained largely unchanged from the May report with them expecting inflation to gradually increase to around 2% over the next 18 months and then remain there in the near future. Further improvement in the labour market saw the ILO unemployment rate for the three months to July fall to 5.5%. In the September report, average earnings excluding bonuses for the three months to July rose 2.9% year/year.

The outcome of the UK general election, largely fought over the parties' approach to dealing with the consequences of the structural deficit and the pace of its removal, saw some very big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics.

The US economy slowed to 0.6% in Q1 2015 due to bad weather, spending cuts by energy firms and the effects of a strong dollar. However, Q2 GDP showed a large improvement at a twice-revised 3.9% (annualised). This was largely due to a broad recovery in corporate investment alongside a stronger performance from consumer and government spending and construction and exports. With the Fed's decision on US interest rate dependent upon data, GDP is clearly supportive. However it is not as simple as that and the Fed are keen to see inflation rise alongside its headline economic growth and also its labour markets. The Committee decided not to act at its September meeting as many had been anticipating but have signalled rates rising before the end of the year.

Market reaction: Equity markets initially reacted positively to the pickup in the expectations of global economic conditions, but were tempered by the breakdown of creditor negotiations in Greece. China led stock market turmoil around the globe in August, with the FTSE 100 falling by around 8% overnight on 'Black Monday'. Indices have not recovered to their previous levels but some improvement has been seen. Government bond markets were quite volatile with yields rising (i.e. prices falling) initially as the risks of deflation seemingly abated. Thereafter yields fell on the outcome of the UK general election and assisted by reappraisal of deflationary factors, before rising again. Concerns around China saw bond yields dropping again through August and September. Bond markets were also distorted by the size of the European Central Bank's QE programme, so large that it created illiquidity in the very markets in which it needed to acquire these bonds, notably German government bonds (bunds) where yields were in negative territory.

All three credit ratings agencies have reviewed their ratings in the six months to reflect the loss of government support for most financial institutions and the potential for varying loss given defaults as a result of new bail-in regimes in many countries. Despite reductions in government support many institutions have seen upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.

Fitch reviewed the credit ratings of multiple institutions in May. Most UK banks had their support rating revised from 1 (denoting an extremely high probability of support) to 5 (denoting external support cannot be relied upon). This resulted in the downgrade of the long-term ratings of Royal Bank of Scotland (RBS) to BBB+ from A, Deutsche Bank to A from A+, Bank Nederlandse Gemeeten to AA+ from AAA and ING to A from A+. JP Morgan Chase and the Lloyds Banking Group however both received one notch upgrades.

Moody's concluded its review in June and upgraded the long-term ratings of Close Brothers, Standard Chartered Bank, ING Bank, Goldman Sachs International, HSBC, RBS, Coventry Building Society, Leeds Building Society, Nationwide Building Society, Svenska Handelsbanken and Landesbank Hessen-Thuringen.

S&P reviewed UK and German banks in June downgrading Barclays' long-term rating to A- from A, RBS to BBB+ from A- and Deutsche Bank to BBB+ from A. S&P has also revised the outlook of the UK as a whole to negative from stable, citing concerns around a planned referendum on EU membership and its effect on the economy.

At the end of July, the council's treasury advisors Arlingclose advised an extension of recommended durations for unsecured investments in certain UK and European institutions following improvements in the global economic situation and the receding threat of another Eurozone crisis. A similar extension was advised for some non-European banks in September, with the Danish Danske Bank being added as a new recommended counterparty and certain non-rated UK building societies also being extended.

In September, Volkswagen was found to have been cheating emissions test over several years in many of their diesel vehicles. This scandal is still playing out and the full extent of the financial implications yet to become clear. Arlingclose recommended suspending VW (as a non-financial corporate bond counterparty) for new investments whilst the situation is monitored. The ratings of the VW group were placed on Rating Watch Negative by Fitch, CreditWatch with negative implications by S&P and the outlook revised to negative by Moody's. Moody's also revised the outlook on VW Financial Services to negative.

Outlook for Q3 and Q4 2015/16

Arlingclose's expectation for the first rise in the Bank Rate (base rate) remains the second calendar quarter of 2016. The pace of interest rate rises will be gradual and the extent of rises limited. The appropriate level for Bank Rate for the post-crisis UK economy is likely to be lower than the previous norm. We would suggest this is between 2.0% and 3.0%. There is also sufficient momentum in the US economy for the Federal Reserve to raise interest rates in 2015, although risks of issues from China could possibly push this back.

The weak global environment and resulting low inflation expectations are likely to dampen long term interest rates. We project gilt yields will follow a shallow upward path in the medium term, with continuing concerns about the Eurozone, and other geo-political events, weighing on risk appetite, while inflation expectations remain subdued. The uncertainties surrounding the timing of UK and US interest rate rises, and the Chinese stock market-led turmoil, are likely to prompt short term volatility in gilt yields.

	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Average
Official Bank Rate														
Upside risk			0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.32
Arlingclose Central Case	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75	1.08
Downside risk				-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-0.70

Money Market Data and PWLB Rates

The average, low and high rates correspond to the rates during the financial year rather than those in the tables below.

Please note that the PWLB rates below are Standard Rates. Authorities eligible for the Certainty Rate can borrow at a 0.20% reduction.

Table 1: Bank Rate, Money Market Rates

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2015	0.50	0.35	0.46	0.43	0.51	0.76	0.97	0.87	1.05	1.32
30/04/2015	0.50	0.35	0.48	0.43	0.52	0.74	0.98	1.00	1.21	1.51
31/05/2015	0.50	0.43	0.50	0.43	0.52	0.75	0.98	0.97	1.18	1.49
30/06/2015	0.50	0.35	0.45	0.43	0.52	0.79	0.99	1.09	1.35	1.68
31/07/2015	0.50	0.32	0.43	0.43	0.53	0.79	1.01	1.10	1.33	1.66
31/08/2015	0.50	0.42	0.40	0.43	0.54	0.82	1.02	1.03	1.24	1.61
30/09/2015	0.50	0.37	0.41	0.43	0.54	0.74	1.00	0.93	1.11	1.41
Average	0.50	0.40	0.46	0.43	0.53	0.76	0.99	1.03	1.25	1.58
Maximum	0.50	0.48	0.58	0.56	0.65	0.86	1.02	1.17	1.44	1.82
Minimum	0.50	0.17	0.40	0.43	0.51	0.55	0.97	0.87	1.04	1.29
Spread	--	0.31	0.18	0.13	0.14	0.31	0.05	0.30	0.40	0.53

Table 2: PWLB Borrowing Rates – Fixed Rate, Maturity Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2015	128/15	1.32	2.07	2.66	3.21	3.34	3.30	3.28
30/04/2015	166/15	1.41	2.27	2.90	3.44	3.55	3.50	3.48
29/05/2015	204/15	1.44	2.26	2.90	3.44	3.54	3.48	3.45
30/06/2015	248/15	1.48	2.44	3.13	3.65	3.72	3.64	3.60
31/07/2015	294/15	1.54	2.45	3.07	3.56	3.62	3.54	3.49
28/08/2015	334/15	1.47	2.30	2.92	3.47	3.54	3.44	3.40
30/09/2015	379/15	1.44	2.19	2.79	3.42	3.50	3.42	3.39
	Low	1.31	2.02	2.60	3.16	3.28	3.23	3.21
	Average	1.46	2.32	2.96	3.51	3.59	3.52	3.49
	High	1.55	2.55	3.26	3.79	3.87	3.80	3.78

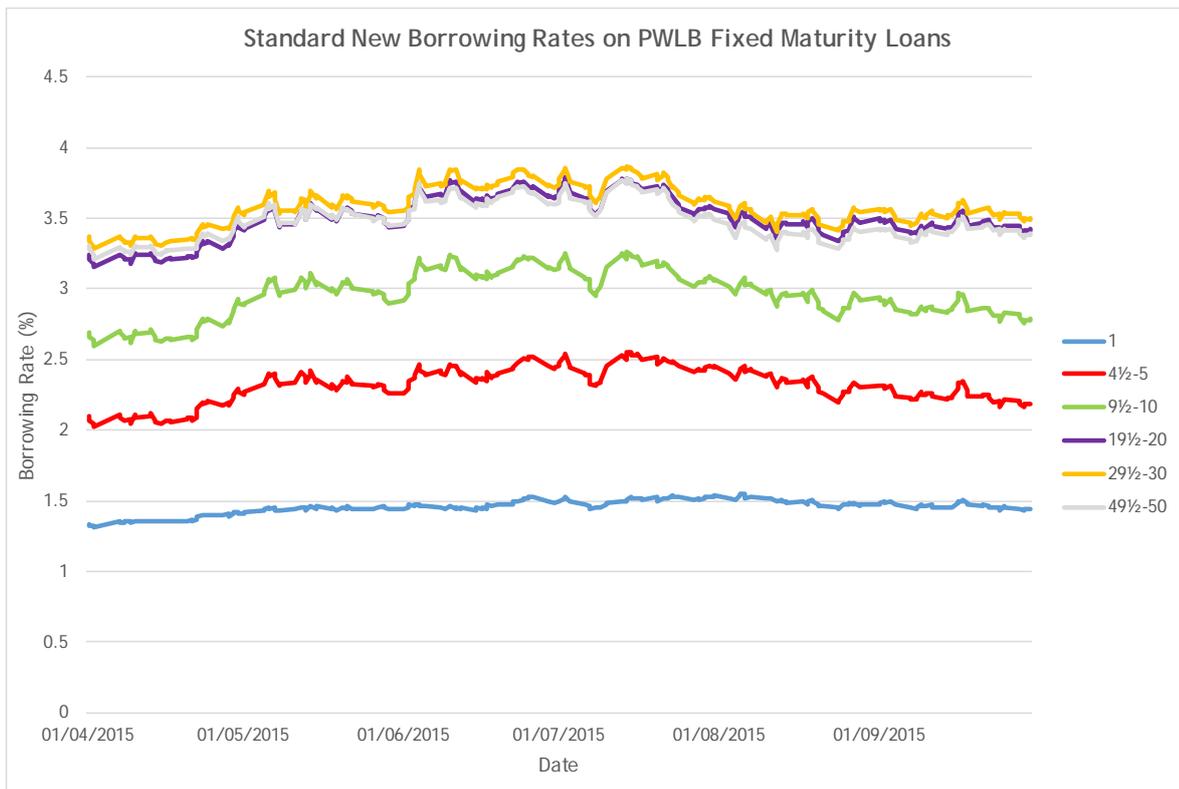


Table 3: PWLB Borrowing Rates – Fixed Rate, Equal Instalment of Principal (EIP) Loans

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2014	127/15	1.63	2.11	2.68	3.00	3.22	3.32
30/04/2014	166/15	1.79	2.31	2.92	3.24	3.45	3.54
29/05/2014	204/15	1.78	2.30	2.93	3.26	3.45	3.53
30/06/2014	248/15	1.90	2.49	3.15	3.47	3.65	3.72
31/07/2014	294/15	1.96	2.50	3.09	3.39	3.57	3.63
28/08/2014	334/15	1.83	2.34	2.94	3.27	3.48	3.55
30/09/2014	379/15	1.76	2.23	2.82	3.19	3.43	3.51
	Low	1.60	2.06	2.62	2.94	3.16	3.26
	Average	1.84	2.37	2.99	3.31	3.51	3.59
	High	1.99	2.60	3.28	3.61	3.79	3.87

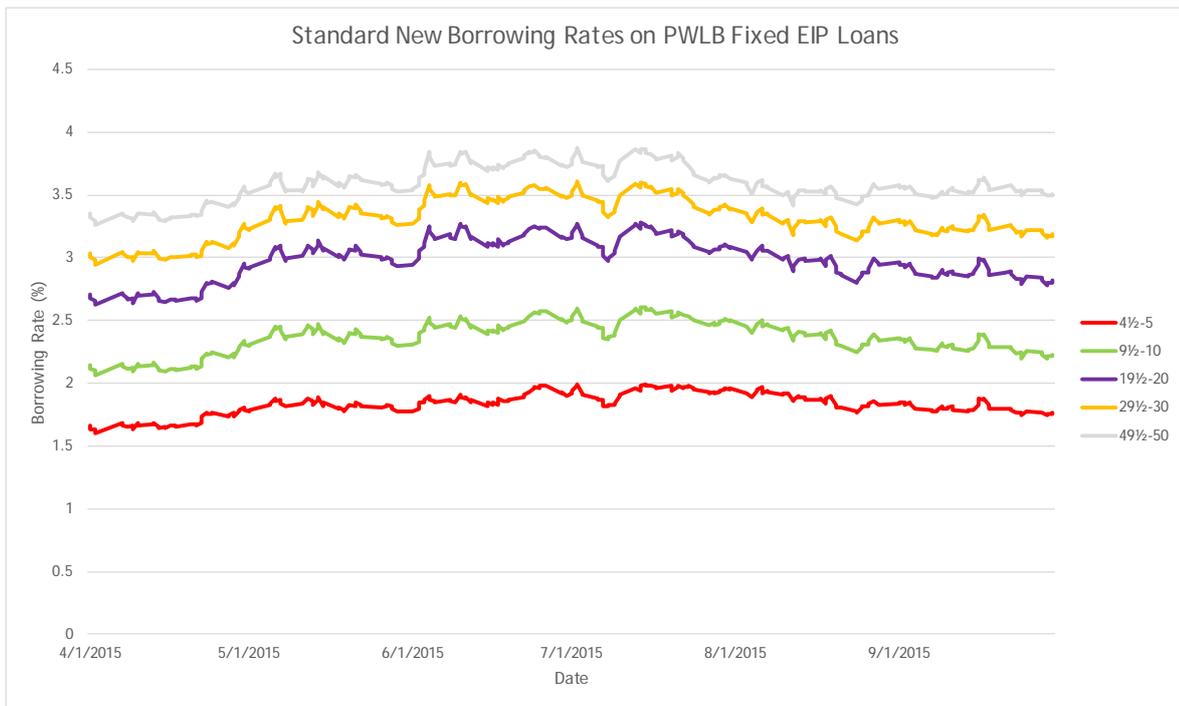


Table 4: PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR
01/04/2015	0.62	0.63	0.66	1.52	1.53	1.56
30/04/2015	0.62	0.64	0.67	1.52	1.54	1.57
29/05/2015	0.62	0.65	0.68	1.52	1.55	1.58
30/06/2015	0.62	0.66	0.70	1.52	1.56	1.60
31/07/2015	0.62	0.66	0.72	1.52	1.56	1.62
28/08/2015	0.62	0.66	0.70	1.52	1.56	1.60
30/09/2015	0.66	0.67	0.76	1.56	1.57	1.66
Low	0.62	0.61	0.66	1.52	1.51	1.56
Average	0.63	0.65	0.70	1.53	1.55	1.60
High	0.66	0.69	0.78	1.56	1.59	1.68

INTERNAL AUDIT PROGRESS REPORT

1.0 Purpose of Report

To receive and comment upon the latest Internal Audit Progress Report which covers the period up to 30 September 2015.

2.0 Introduction

The purpose of the internal audit progress report (Annex A) is to provide a summary of Internal Audit work undertaken during 2015/16 against the agreed audit plan.

3.0 RECOMMENDATION

That the Audit and Accounts Committee consider and comment upon the latest internal audit progress report.

Background Papers

Nil.

For further information please contact Lucy Pledge on 01522 553692.

David Dickinson
Director of Resources



Internal Audit - Progress Report 2015 / 16



Date: *September 2015*

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Contact Details:

Lucy Pledge CMIIA
Head of Audit & Risk Management



County Offices, Newland, Lincoln, LN1 1YG

☎ 01522 553692 ☐ lucy.pledge@lincolnshire.gov.uk

Introduction

- 1 The purpose of this report is to:
 - Advise of progress being made with the Audit Plan
 - Provide details of the audit work during the period
 - Raise any other matters that may be relevant to the Audit and Accounts Committee role

Key Messages

- 2 The Internal Audit plan for the first six months of 2015/16 has been scheduled. There are 21 audits/jobs in this period, including one non-planned piece of additional work, and one audit transferred from 2014/15. Progress so far is:
 - 5 audits complete 24% of jobs
 - 4 audit at draft report stage 19% of jobs
 - 1 audit at fieldwork stage 5% of jobs
 - 6 audits at client brief/scoping stage 29% of jobs
- 3 We are pleased to report that we have issued 3 reports since the last Committee. Two of these provided Some Improvement/Substantial level of assurance, the remaining report was an advisory report and therefore a level of assurance was not provided.
- 4 We have followed up the recommendations due to be implemented by the end of September which resulted in there being no high risk and only eight medium risk recommendations outstanding (revised implementation dates have been agreed for fifteen recommendations). Appendix 2 shows those audits which have recommendations remaining to be implemented.
- 5 The plan for the next six months has been agreed and progress is being made on scheduling in these audits. There are 33 jobs in the revised full year plan. Appendix 3 includes the full year plan.

Internal Audit work completed from July to September 2015

5 The following audit work has been completed and a final report issued:

Effective Assurance / High	Some Improvement Needed / Substantial	Major Improvement Needed/ Limited	Inadequate / Low
<ul style="list-style-type: none"> ■ None 	<ul style="list-style-type: none"> ■ Leisure Centres ■ ICT Applications – Uniform 	<ul style="list-style-type: none"> ■ None 	<ul style="list-style-type: none"> ■ None

Note The Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in Appendix 1.

6 The remaining report covered the National Civil War Centre, looking at the processes in place and proposed for the key financial areas. Our review concluded that:-

The National Civil War Centre staff have put into place good procedures and practices, working with the adjacent Palace Theatre staff to adopt their processes wherever possible. However the Centre and it's processes are not yet fully established and we have identified some areas that will assist in strengthening financial processes to reduce the risk of theft and fraud as the Centre moves forward:-

- Reviewing the arrangements for holding and transporting cash;
- Reviewing the level and management of petty cash;
- Security of keys;
- Implementing stock checking procedures;
- Ensuring compliance with the purchasing processes;
- Reviewing the refund process.

We are pleased to report that the Centre has already implemented some of the recommendations.

7 For the audits in the above table, we confirmed that the Council has sound processes in place. Below is a summary of our findings:-

Leisure Centres

The audit was carried out prior to the transfer to Active4Today and we are pleased to report that all recommendations were implemented before the end of May. The summary of findings is as follows:-

The leisure centres have clear processes in place which ensure that all income and payments made to freelance staff are accurate. Some improvement is required to ensure that refunds, voids and no sales are appropriately authorised and reviewed reducing the potential for fraud or error. The areas where processes could be strengthened to reduce these risks include:-

- Authorisation of Void and No sales on the system and improvements to the way they are recorded on the system enabling more accurate reporting.
- Adherence to the refunds process with the Duty Manager signing the refunds record on the reverse of the cashing up sheet in addition to authorising on the system.

ICT Applications – Uniform

Overall the system operates effectively; internal expertise being provided by the main system administrator. We identified selected areas where improvements will strengthen overall control over user management within the system.

We reviewed the user access at a high level and found no evidence of failure of the segregation of duties controls through poor use of role profiles and group memberships. We identified that user account privileges could be reviewed more frequently to ensure the least privilege principle is operated more effectively and that users only have such access as their job requires.

The Council does not have a dedicated database administrator for the Oracle Relational Database Management System. It relies on the operational activities and on occasion, instruction from the supplier to housekeep the database. Review of certain security tables within the database has identified some positive controls such as limiting the accounts with the “dba” role and enabling autoextend for the management of tablespace. Again, we have identified some areas which the Council should look to improve, especially with regard to the frequency of the application of functional and security patches to the database.

Other Significant Work

8 Gilstrap Accounts

We have carried out the annual independent examination of the Gilstrap accounts in accordance with the General Directions given by the Charity Commissioners.

Audits in Progress

9 The following 2015/16 audits have commenced:-

Audits at Draft Report Stage

- Equality and Diversity
- Homelessness
- Refuse and Recycling
- Budgetary Control

Audits in Progress

- Partnership Working

Performance Information

10 Our current performance against targets is shown below:-

Performance Indicator	Target	2015/16 Actual @ 30/09/15
Percentage of plan completed.	100% (Annual year end)	23%*
Percentage of key financial systems completed.	100% (Annual year end)	7%
Percentage of recommendations agreed.	100%	100%
Percentage of recommendations implemented.	100%	65%
Timescales		
a) Draft report issued within 10 working days of completing audit.	■ 100%	■ 100%
b) Final report issued within 5 working days of closure meeting / receipt of management responses.	■ 100%	■ 100%
c) Draft report issued within 2 months of fieldwork commencing	■ 80%	■ 100%
Client Feedback on Audit (average)	Good to excellent	None returned

*Indicator based on the number of days spent against the total number of days within the revised annual plan (24% of jobs have been completed).

- 11 There are a number of reasons for the plan being less complete than originally planned, these include:-
- Extra unplanned work was completed in Q1 for both the Council and Newark and Sherwood Homes
 - Staff sickness in Q1
 - Our additional resources were not available until August.
 - Traditionally mid-July through to the end of August is a quiet period due to leave of audit staff and auditees, this has led to some audits being postponed until September.

The remaining work is scheduled and allocated and it is anticipated that the plan will still be completed on target.

- 12 The table represents the results of 2015/16 but we are still progressing the audits and follow-up the implementation of recommendations for 2014/15.

Other Matters of Interest

13 Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE)

The introduction of new responsibilities and the development of new collaborative structures and ways of working provide challenges for ensuring transparency, demonstrating accountability and, in particular, for managing risk. It is crucial therefore that leaders and chief executives keep their governance arrangements up to date and relevant.

In response to these challenges, CIPFA and SOLACE are undertaking a fundamental review of the Framework: Delivering Good Governance in Local Government to ensure that it remains 'fit for purpose'.

A consultation on the new draft Framework was available on the CIPFA website until 28th September.

Appendix 1

Assurance Definitions¹

2015/16

<p>High</p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
<p>Substantial</p>	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p>Limited</p>	<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>
<p>Low</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

¹ These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

2014/15

<p>Effective</p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p> <p>As a guide there are a few low risk / priority actions arising from the review.</p>
<p>Some improvement needed</p>	<p>Our critical review or assessment on the activity gives us a reasonable level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low. A few specific control or risk issues identified.</p> <p>As a guide there are low to medium risk / priority actions arising from the review.</p>
<p>Major improvement needed</p>	<p>Our critical review or assessment on the activity identified numerous concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p> <p>As a guide there are numerous medium and a few high risk / priority actions arising from the review.</p> <p>Our work did not identify system failures that could result in any of the following:</p> <ul style="list-style-type: none"> - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements
<p>Inadequate</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>Our work identified system failures that could result in any of the following:</p> <ul style="list-style-type: none"> - damage to the Council's reputation - material financial loss - adverse impact on members of the public - failure to comply with legal requirements <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p> <p>As a guide there are a large number of high risks / priority actions arising from the review.</p>

Appendix 2 - Outstanding recommendations as at September 2015

Audit Area	Date	Assurance	No. of Agreed Recs	Implemented /Closed	Outstanding*		Revised Implementation Date	Not Due
					H	M		
Deputy Chief Executive								
Corporate Governance	Jun'14	Substantial	3	1	0	1		1
Customers								
Corporate Complaints	Jun'14	Substantial	2	0	0	2	31/12/15	0
Palace Theatre	Jun'15	Some Imp. Needed	12	10	0	1	30/09/15 revised again to 31/01/16	1
Transparency Agenda	Apr'15	Effective	2	1	0	1	30/09/15 revised again to 31/12/15	0
Data Protection	Mar'15	Some Imp. Needed	7	6	0	1	31/12/15	0
Customer Responsiveness	Jul'15	High	1	0	0	0		1
National Civil War Centre	Sept'15	N/A	10	5	0	0		5
ICT								
ICT Partnerships/Projects	Sept'14	Some Imp. Needed	6	5	0	1	31/12/15	0
Resources								
Counter Fraud	May'13	Limited	7	6	0	1	31/08/15 revised again to 31/12/15	0
Payroll	Apr'14	Substantial	2	1	0	1	31/08/15 revised again to 31/12/15	0
Treasury Management	Jul'14	Some Imp. Needed	4	3	0	1	31/12/15	0
General Ledger	Dec'15	Effective	2	1	0	0		1
Procurement Counter Fraud	Feb'15	Effective	2	1	0	0		1
Insurance	May'15	Effective	3	1	0	0		2
Contract Management	Jun'15	Some Imp. Needed	11	1	0	4		6
Safety								
Health and Safety	May'15	Some Imp. Needed	3	1	0	2		0
Safeguarding	Feb'15	Some Imp. Needed	10	5	0	4	1-31/07/15 (overdue) 1-31/12/15	1
Strategic Housing Strategy	Jan'15	Some Imp. Needed	4	2	0	2	1-31/01/16 1-31/03/16	0
Strategic and Emerging Risks								
Emerging Risks	Feb'14	Substantial	4	3	0	1		0
Total			95	53	0	23		19

* Originally due before 30 September and not implemented.

Appendix 3 - Internal Audit Plan & Schedule 2015/16

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Critical Service Activities	132					
<u>Deputy Chief Executive</u>						
Planning Policy	10	Local Development Framework and other policies in place, compliance with the requirements of the Localism Act - neighbourhood planning and assets of community value.	April	April	July	Effective
Planning Applications	10	Processing and income	Jan/Feb			
<u>Director Safety</u>						
HRA Business Plan	8	Reviewed, assumptions made, linkages.	Aug/Sept	05/10/15		Meeting arranged to start the audit.
Partnership work - NSH	18	To review the partnership arrangements in place.	May/June	June		Fieldwork virtually complete. Workshop to take place at the end of November.
Human Resources	10	Overview of service.	Oct/Nov			
<u>Director Customers</u>						
Housing Options/Homelessness	8	High level review of strategies, policies and process to meet the homelessness responsibilities.	Jun/Jul	August		Draft report
National Civil War Centre	8	Review requested of key processes in place for income,	June	June	September	Assurance level not given – advisory report.

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
		security and others following opening of centre.				
ICT Audit	10	Review of the service itself looking at future planning and meeting objectives.	Jun/Jul	Sept		Client brief issued
Customer Services	10	Cash receipting, security, targets	Jan/Feb			
ICT Audit	10	PCIDSS	TBC			
ICT Audit	5	WiFi	TBC			
<u>Director Communities</u>						
Refuse and Recycling	10	Review of processes in place to:- <ul style="list-style-type: none"> o collect domestic, bulky and trade waste o collection of income o meet the targets 	Sept/Oct	August		Draft report
<u>Director of Resources</u>						
Capital Programme	5	Approved and monitored.	Sept/Oct			
Performance Management	10	Review of systems in place including process, Covalent and reporting.	Mar			
Due Diligence	135					
<u>Deputy Chief Executive</u>						
Corporate Planning	5	High level review of planning in place for the Council:- corporate priorities, business plans,	Aug/Sept	27/10/15		Scoping meeting arranged

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
		objectives.				
<u>Director of Resources</u>						
Budgetary Control	8	Cyclical system review.	July	August		Draft Report
Creditors	8	Cyclical system review.	Aug/Sept			
Debtors	8	Cyclical system review.	Aug/Sept			
VAT/Tax	10	Cyclical system review.	Jul/Aug			
Financial Regulations and Management	8	Regulations are in place, communicated and monitored for compliance	Sept/Oct			
Key Control Testing	30	Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council's financial control environment.	Feb/Mar			
Property, Plant and Equipment	8	Cyclical system review.	Nov/Dec			
Council Tax	15	Cyclical system review.	Nov/Dec			
Benefits	15	Cyclical system review.	Jan/Feb			
Procurement	10	Cyclical system review.	Feb/Mar			
<u>Director Safety</u>						
Equality and Diversity	10	Review of progress and benchmarking against the Public Sector duty. Requested by management.	Jul/Aug	July		Draft report

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
Key Projects	16					
Council Offices – Vacation and New Build	8	Key, two year project. Advisory / gateway review – first gateway review.	Sept/Oct	15/10/15		Opening meeting arranged.
Council Offices – Vacation and New Build	8	Key, two year project. Advisory / gateway review – second gateway review.	Feb/Mar			
Strategic and Emerging Risks	13					
Strategic Risks	8	Review of monitoring arrangements and detailed review of one or more strategic risks.	Aug/Sept	Sept		Clarifying management responsibilities in absence of Business Manager.
Waste, Litter and Recycling - Risk management	5	Review of risks to ensure actions in place to monitor and mitigate the risks.	Jan/Feb	Sept		Fieldwork ongoing
Other relevant Areas	89					
Mansfield Crematorium	5	We will undertake our annual review of accounts.	April	April	May 2015	Completed
Gilstrap Accounts	1	We will undertake our annual review of accounts.	July	August	August	Completed
Cattle Market	2	Annual audit of rental fee - additional work requested on 2013/14 figures.	Unplanned	May	N/A	Completed
Newark and Sherwood Homes	55	Internal Audit Plan 2015/16	Various			Client briefs agreed. Additional work requested currently 8

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Status / Assurance Level Given
						days. 41% of plan completed.
Combined Assurance	20	Updating assurances on the Council's assurance map with service managers and helping to co-ordinating the annual status report.	October			
Follow-up of previous audit reports	6		Ongoing			
Non-Audit	33					
Advice & Liaison	10		Ongoing			
Annual Report	3		Ongoing	April	N/A	Completed
Audit Committee	10		Ongoing			
Review strategy and planning	2					
Contingency	8	15 days total in original plan. Used:- 2 days Cattle Market additional work. 5 days ICT additional audit 8 days remaining.	N/A	N/A	N/A	N/A
Grand Total (Revised)	418					

ACCOUNTS AND AUDIT REGULATIONS 2015 – CHANGES TO YEAR END TIMETABLE

1.0 Purpose of Report

1.1 To update members on the changes contained within the Accounts and Audit Regulations 2015 which came into force on 1 April 2015.

2.0 Introduction

2.1 The Accounts and Audit Regulations contain various provisions affecting all local authorities and a number of other local public bodies. The main impact of the new regulations is to bring the dates for closure and publication of the accounts forward. This report highlights the new timetable for production of the accounts, and for reporting them to the Committee.

2.2 The Accounts and Audit Regulations 2015 revoke the Accounts and Audit (England) Regulations 2011 under which financial years ending on or before 31 March 2015 have been closed down.

3.0 Earlier Timetable for the Closure of Accounts

3.1 The 2015 regulations bring forward significantly the timetable for the closure of the accounts as highlighted in the table below:

	<u>2015 Regulations</u>	<u>2011 Regulations</u>
Responsible financial officer certifies the presentation of the annual accounts by:	No date is provided in the regulations, however, the implication is 31st May as the accounts will be open for public inspection from 1 st June	No later than 30th June following the financial year end
Publication of annual accounts with audit opinion and certificate and prior approval by members by:	No later than 31st July following the financial year end	No later than 30th September following the financial year end

3.2 The 2015 Regulations make transitory provisions for the accounts relating to financial years 2015/2016 and 2016/2017 with continuation of the current 30 September deadline for the publication of the audited accounts and the implication is that sign off by the responsible financial officer also remains at 30 June for 2015/2016 and 2016/2017.

4.0 Exercise of Public's Rights to Inspect the Accounts

4.1 The 2011 Regulations required the Council to make the accounts and other relevant documents available for public inspection for 20 working days before the date appointed by the external auditor. At least 14 days' notice of the public inspection period had to be given.

4.2 The 2015 Regulations give a limited 30 day window during which the exercise of public rights must be allowed and require the responsible financial officer to ensure that this includes the first 10 working days of June. All relevant documents must be made available for public inspection. Transitional arrangements allow for the period to relate to the first 10 working days of July for reporting on financial years 2015/2016 and 2016/2017.

5.0 Organisational Impacts

5.1 The changes to the regulations have reduced the time available for officers to complete the year end processes by one month. Traditionally Newark and Sherwood District Council has met this deadline comfortably due to the commitment of staff and the processes in place. In 2014/2015 the internal close down deadline was brought forward by one week as an early recognition of future change required. No changes to processes were made at this time. The tighter deadline was achieved; however, as a result of this a material misstatement in the accounts of £2.2m was not identified. A further review of processes is now required.

5.2 Officers are currently working on reviewing and streamlining year end processes to meet the new requirements by 2017/2018. This will almost certainly entail the use of estimates within the closedown process which may in turn lead to significantly more changes being made to the statement between the initial certification by the responsible financial officer and the approval by members. Officers will work closely with the Council's external auditor to make sure the approach is agreed in advance. The transition period granted will allow the new techniques to be embedded into working procedures in advance of the 2017/2018 deadline.

6.0 RECOMMENDATIONS that:

(a) Members note the requirements of the Accounts and Audit Regulations 2015 relating to earlier closedown of the accounts.

Background Papers

Nil.

For further information contact David Dickinson on extension 5300 or Nicola Pickavance, Assistant Business Manager Financial Services on extension 5326.

D Dickinson
Director of Resources

EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER & PROGRESS REPORT 2014/15

1.0 Purpose of Report

- 1.1 To present the External Auditor's Annual Audit Letter for 2014/15 for Newark & Sherwood District Council.
- 1.2 The Annual Audit Letter summarises the key findings from the external audit work carried out by KPMG in 2014/15. It covers the 2014/15 Statement of Accounts and the Value for Money conclusion for the same year.

2.0 Background Information

- 2.1 KPMG presented details of the findings from the audit of the 2014/15 financial statements in their Annual Governance Report at the 9th September meeting of the Audit & Accounts Committee, and informed Members that they proposed to give an unqualified opinion on the statements.
- 2.2 At the same meeting KPMG also proposed to issue an unqualified opinion on the council's arrangements to secure economy, efficiency and effectiveness – the Value for Money (VfM) conclusion.
- 2.3 Unqualified audit opinions for both of these pieces of work were issued on 24th September 2015.

3.0 RECOMMENDATIONS that:-

the Committee consider the External Auditor's Annual Audit Letter and Progress Report for 2014/15;

Background Papers

External Auditor's Annual Governance Report 2014/15
N&SDC 2014/15 Opinion and VfM Conclusion

For further information please contact John Cornett, Director KPMG LLP (UK) on 0116 2566064.

David Dickinson
Director - Resources



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Annual Audit Letter 2014/15

Newark and Sherwood District Council

October 2015

The contacts at KPMG in connection with this report are:

John Cornett

Engagement Lead

KPMG LLP (UK)

Tel: 0116 256 6064

john.cornett@kpmg.co.uk

Helen Brookes

Manager

KPMG LLP (UK)

Tel: 07919 228632

helen.brookes@kpmg.co.uk

Sundeep Gill

Assistant Manager

KPMG LLP (UK)

Tel: 07798 572337

sundeep.gill@kpmg.co.uk

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies* summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact John Cornett, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This report summarises the key findings from our 2014/15 audit of Newark and Sherwood District Council.

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our report covers the audit of the Authority's 2014/15 financial statements and the 2014/15 VFM conclusion.

All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 24 September 2015. This means we are satisfied that the Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources.</p>
VFM risk areas	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.</p> <p>Our initial risk assessment work at the planning stage of the audit identified no significant matters.</p>
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 24 September 2015. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.</p>
Financial statements audit	<p>We identified a number of issues in the course of the audit:</p> <ul style="list-style-type: none"> ■ 2 material and a number of non material misstatements were corrected and there were no uncorrected misstatements ■ there is scope for improvement in the quality of working papers, supporting property, plant and equipment (PPE). ■ we have had regular meetings with officers throughout the year which has facilitated delivery of the audit and will discuss how we can work together to secure further improvement next year.
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding of your governance arrangements.</p>
Whole of Government Accounts	<p>The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review your pack in detail as you fall below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.</p>
Key recommendations	<p>We raised one medium priority recommendation as a result of our 2014/15 audit work linked to the need to improve the quality of working papers related to property, plant and equipment. This is detailed in Appendix 1.</p>
Certificate	<p>We issued our certificate on 24 September 2015. The certificate confirms that we have concluded the audit for 2014/15 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p>
Audit fee	<p>Our fee for 2014/15 was £64,438, excluding VAT which is the same as the fee proposed in our <i>External Audit Plan</i> issued in April 2015. Further detail is contained in Appendix 3.</p>

Appendix 1: Key issues and recommendations

This Appendix summarises the single medium priority recommendation that we identified during our 2014/15 audit, along with your response. We did not raise any other recommendations.

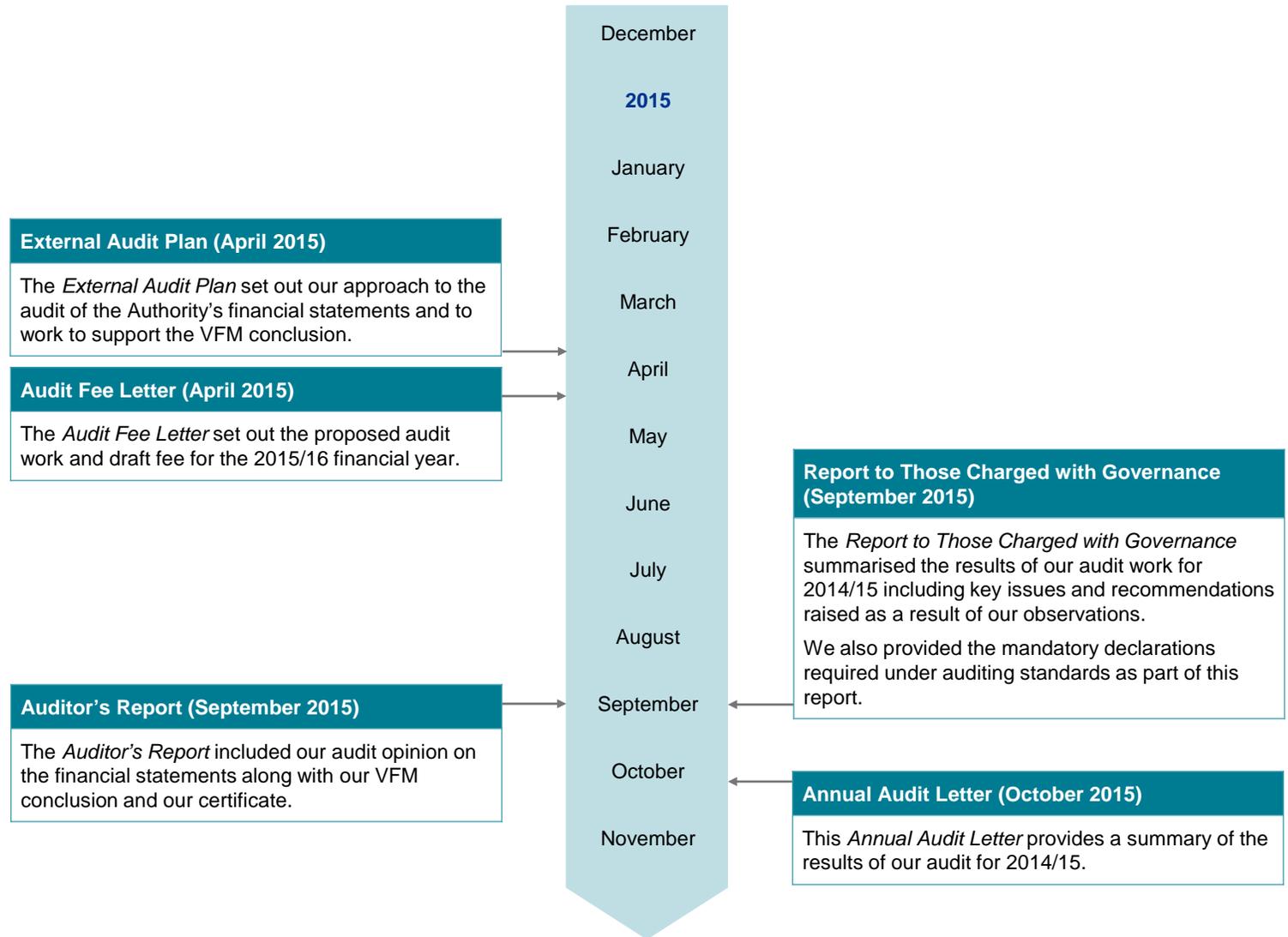
No.	Issue and recommendation	Management response / responsible officer / due date
1	There were a number of errors in the notes for property, plant and equipment which resulted in audit adjustments. We recommend that the Authority gives priority to reviewing the compilation of these notes for next year.	<p>This recommendation has been agreed by management.</p> <p>Responsible officer: Assistant Business Manager Financial Services – Systems and Accounting</p> <p>Due date: December 2015</p>

Follow up of previous recommendations

As part of our audit work we followed up on the Authority's progress against previous audit recommendations. We are pleased to report that the Authority has taken appropriate action to address the issues that we have previously highlighted.

Appendix 2: Summary of reports issued

This Appendix summarises the reports we issued since our last *Annual Audit Letter*.



This Appendix provides information on our final fees for the 2014/15 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2014/15 planned audit fee.

External audit

Our final fee for the 2014/15 audit was £64,438 which is in line with the planned fee.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2016.

Other services

Disclosure of action concerning tax engagement

KPMG member firms and KPMG professionals are required to comply with independence standards that meet or exceed those set out in the IESBA Code of Ethics. In addition, the UK firm and our professionals are also required to comply with the requirements of the APB Ethical Standards. We also adhere to the Public Sector Audit Appointment's (PSAA) specific requirements regarding non-audit services.

These professional standards require that where the firm has determined that a breach of an audit independence standard has occurred, we discuss this and the actions we have taken or propose to take with you as soon as possible, communicate with you in writing all matters discussed and obtain your concurrence that action can be, or has been, taken to satisfactorily address the issue. This section of the report summarises such an instance requiring action.

In April 2011 the Council engaged KPMG to provide services to assist you with the recovery of VAT in respect of non-business sports claims. The fee agreed for these services was a success fee of 20% of any amounts recovered from HMRC if the claim was ultimately successful. Subsequently, in April 2012, KPMG LLP was appointed as auditor of the 2012/13 year of account and subsequent financial years. No work has been carried out in relation to this tax engagement in the period since KPMG LLP was appointed auditor, as the lead case which the claim is stood behind has not yet been resolved.

Prior to 2010, the APB Ethical Standards did not prohibit such contingent fee arrangements, however in 2010 the standards were changed and paragraph 95 of APB Ethical Standard Number 5 now provides that an audit firm cannot provide services on a wholly or partly contingent basis where the outcome of those services is dependent upon the proposed application of tax law which is uncertain or has not been established. As the tax law applying to the subject matter of this engagement was and remains uncertain, following KPMG LLP's appointment as auditor the fee basis should have been revised to remove the contingent element in order to comply with this requirement. Action was therefore required to ensure compliance with the ethical standards. We have therefore proposed that a revised fixed fee of £42,500 is charged and the success fee element of our remuneration is removed. PSAA is fully aware of this position and in line with its usual rules on the acceptance of non-audit work we are seeking approval for this fee.

This position was identified as our firm undertook a special exercise to ensure that any grandfathered tax contingent fee arrangements that were entered into with audit clients prior to the change in rules in 2010 had been correctly dealt with before 31 December 2014 which was the end of the grandfathering period provided for in the standard.

This Appendix provides information on our final fees for the 2014/15 audit.

We have considered this matter, and given the following factors we have determined this to be a less than significant breach of the APB Ethical Standards because:

- no amounts are recognised in the Council's accounts for the potential recovery of this tax;
- the amount of tax that is potentially recoverable £0.4m is, in any event, not material to the Council;
- KPMG has not received any contingent fee income in respect of this engagement and has not performed any work in relation to this engagement since the date of appointment as auditor; and
- the potential contingent fee that KPMG could have received in respect of this engagement of £79k is not material to our firm.
- Based on the above in our professional judgment we concluded that our objectivity has not been compromised and the firm and the engagement team are independent of the Council.



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COUNTER-FRAUD ACTIVITIES FROM 1st APRIL 2015 TO 30th SEPTEMBER 2015

1.0 Purpose of Report

- 1.1 To inform Members of counter-fraud activity undertaken since the last update reported on 8th April 2015.

2.0 Background Information

- 2.1 An element of the role of the Audit & Accounts Committee is to provide assurance to the Council that its anti-fraud arrangements are operating effectively. In order to do this counter-fraud activity reports are brought to the Committee twice a year. These reports detail the number of cases detected, amounts lost, the outcome of cases and amounts recovered, together with any other counter fraud work that has been undertaken.

3.0 Counter Fraud Detection

- 3.1 Since the beginning of April 2015, the Council has successfully prosecuted five people for fraudulent benefit claims. These fraudulent claims resulted in overpayments of housing benefit of £45,957.40 and council tax benefit/support of £12,201.97. These overpayments are recoverable.
- 3.2 Two people accepted an administration penalty for fraudulent housing benefit claims of £8,500.90 and council tax benefit/support of £494.51. Administration penalties are implemented where the fraud is admitted, and the person chooses to accept a penalty rather than be prosecuted, reducing officer time and costs.
- 3.3 Three people accepted a caution for fraudulently claiming housing benefit of £4,207.38 and council tax benefit/support of £1,264.71. These overpayments are recoverable.
- 3.4 Six other cases of overpayments have also been identified, totalling £34,621.69 for housing benefit and £9,840.59 for council tax benefit/support. However, these cases were identified as errors on the part of the claimant that were not fraudulent. These overpayments are also recoverable.
- 3.5 The actual court costs charged to the Council since April 2015 are £14,985. These costs relate to cases of non-payment of Council Tax, as well as to fraud cases. The Revenues and Benefits Business Unit recovers costs from claimants wherever possible.

4.0 Other Counter-Fraud Work

- 4.1 A review of expenses and additional payments made to staff over the three years from 2012/13 to 2014/15 was carried out in May. This looked for any trends which might indicate potential fraud. No trends were found but a few anomalies were identified. Further in-depth analysis of these revealed reasonable explanations for their occurrence.

4.2 A county-wide Council Tax Single Persons' Discount review has been completed. 489 Council Tax accounts were found where SPD was being claimed but there were two people listed as living at the property. The total value of discounts removed is £166,272.

5.0 The National Fraud Initiative (NFI)

5.1 The National Fraud Initiative (NFI) is a bi-annual data-matching exercise where electronic data is collected from numerous agencies including police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. The data collection is carried out by the Audit Commission and is reviewed for any matches that might reveal fraudulent activity. e.g. a record of a person's death exists, but that person is still claiming state pension. The potential matches are sent to individual bodies for investigation to check if there is another, innocent explanation. The NFI is successful nationally.

5.2 Data was submitted for the 2014/15 exercise and possible matches have been investigated. The final report will be available in spring 2016.

5.3 An NFI Council Tax Single Person Discount exercise began on 1st October 2015. This will match Council Tax data against the Electoral Register. Any matches will be made available for investigation in March 2016.

6.0 Equalities Implications

6.1 There are no equality implications, as all cases of fraud and error are investigated, regardless of the characteristics of the persons involved.

7.0 Impact on Budget/Policy Framework

7.1 Overpayments can be a serious drain on the Council's resources, whether due to fraud or error. Work undertaken to prevent and detect fraud and error and to reclaim overpayments can support the Councils' budget at a time of funding cuts.

8.0 Comments of Director - Resources

8.1 Successful prosecution of fraudulent claims sends out a message that fraud will be detected and action will be taken. Publicity is important as a deterrent, and training will ensure that all staff are aware of their role in preventing and detecting fraud.

8.2 The NFI data matching exercise requires resources to investigate the potential matches, and it is a government requirement that Councils take part.

9.0 RECOMMENDATION

That Members note the content of the report.

Reason for Recommendations

To promote a strong counter-fraud culture, it is important that Members are aware of the Council's response to fraud and the results of any actions taken.

Background Papers

None

For further information please contact Nicky Lovely on Ext 5317

David Dickinson
Director - Resources

INFORMATION FOR MEMBERS AS IDENTIFIED BY THE KNOWLEDGE AND SKILLS QUESTIONNAIRE

1.0 Purpose of Report

- 1.1 To provide information to Members of the Committee on areas identified through the Knowledge and Skills questionnaire:
- the Council's arrangements to uphold ethical standards
 - the Council's Whistleblowing arrangements
 - the role of the Chief Financial Officer as required by CIPFA and how the authority meets the requirements

2.0 The Council's Arrangements to Uphold Ethical Standards

- 2.1 As part of the Constitution, the Council has a Code of Corporate Governance in place and regular reviews of arrangements to support the Code are undertaken. The last such review was undertaken in 2014. An extract from the review of the area of the Code relating to the Council's arrangements in place to uphold ethical standards is attached at Appendix A.

3.0 The Council's Whistleblowing Arrangements

- 3.1 The Council has a Whistleblowing Policy which can be found within the Constitution. It has recently been reviewed and communicated to staff. This is a link to the Constitution page on the Council's website. [Council's constitution | Newark and Sherwood District Council](#). The Whistleblowing Policy is found in Part 4 - Codes and Protocols.

4.0 The Role of the Chief Financial Officer as required by CIPFA and how the authority meets the requirements

- 4.1 The CIPFA Statement on the Role of the Chief Financial Officer sets out three over-arching principles. These are:
1. The Chief Financial Officer in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
 2. The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.
 3. 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.
- 4.2 The Chief Financial Officer is defined in the Council's Financial Regulations as being the Director – Resources. This post meets the requirements of the CIPFA Statement as follows:
1. The Director - Resources is a member of CMT and takes part in regular formal and informal meetings of CMT to develop and implement strategy. He, or an appropriate deputy, attend Committee meetings where finance and funding relating to strategic objectives is discussed.

2. The Council's Financial Regulations require that any report being submitted to a Committee must have financial comments included and for large projects, the involvement of Financial Services from the inception. The comments include analysis of short and longer term financial implications, risk analysis, and fit with the Council's overall financial strategy. A member of the Financial Services team is present at Committee meetings to provide financial advice.
3. Financial Regulations developed by the Director – Resources are in place, reviewed regularly and communicated to all staff. A Financial Regulations training programme for all relevant staff is currently underway.

4.3 The CIPFA Statement on the Role of the Chief Financial Officer Is attached at Appendix B.

5.0 RECOMMENDATIONS that:

(a) Members note the information provided.

Background Papers

Knowledge and Skills Questionnaire

For further information contact David Dickinson on extension 5300 or Nicky Lovely, Business Manager Financial Services on extension 5317.

D Dickinson
Director of Resources

EXTRACT FROM 2014 REVIEW OF CORPORATE GOVERNANCE ARRANGEMENTS

PRINCIPLE THREE: GOOD CONDUCT AND BEHAVIOUR

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff:-

- The Council has adopted detailed arrangements, under the Localism Act 2011, for dealing with complaints against elected Members and Town and Parish Councillors.
- Elected Members and Town and Parish Councillors have received training on the revised arrangements.
- Bespoke training has also been delivered to the Democratic Services Team.
- The Council has developed Codes and Protocols on a range of issues including dealing with planning matters and Officer / Member relations.
- The Officer Code of Conduct has recently been reviewed and revised.
- The Council has retained a dedicated Standards Committee. The Standards Committee regularly reviews guidance to ensure that best practice is adopted by the Council. It regularly reviews compliance with the requirement to complete Register of Interests for both district and town and parish councillors. It reviews and recommends for adoption to the Council revised protocols and policies and guidance (a recent example is the revised planning protocol). It produces an annual work programme against which progress is monitored at each meeting. The Independent Person and/or Reserve Independent Person attend Standards Committee meetings and are consulted on protocols, policies and guidance as well as complaints. The Standards Committee's membership includes an independent co-opted member and 2 co-opted parish representatives. This reflects best practice and brings an independent and parish perspective to the work of the committee.
- Elected members and town and parish councillors receive regular training on the code of conduct.
- All employees have received detailed briefings on the employee code of conduct which was recently revised and updated by the Council. They are required to acknowledge that they have received and understood the relevant information.
- To produce the Annual Governance Statement, the Council reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. Business managers provide assurance to the s151 officer via a comprehensive questionnaire that service areas are compliant with the Council's governance arrangements.
- The Council's customer complaints procedure is another mechanism whereby employee and member behaviours can be monitored and investigated.
- A Counter-fraud policy is in place and is available to all staff on the Internet and Intranet. The location of the policy was communicated to all staff when the new Constitution was launched. A comprehensive programme of Counter-Fraud training has been delivered to all staff (January 2014). All staff are made aware of successful cases where fraud is identified and prosecuted. An annual fraud risk assessment is carried out, leading to an action plan to address any identified risks and to proactive work on fraud prevention.

- The Council has a dedicated Information Governance Officer who monitors compliance with the Freedom of Information Act and Access to Information Act and deals with FOI requests.
 - The Council has a presumption of openness and transparency and endeavours to publish key information on the Council's website. The Council has recently been subject to a transparency audit.
 - Members of the Council are required to complete a register of interests form. The Standards Committee monitors completion of register of interest forms. The registers of both District Council Members and Town and Parish Councils within the district are published on the Council's website.
-
- The Council's core values of integrity, inspiration, respect, achievement and learning are reflected back in the personal appraisal process. The Pride Awards also demonstrate what these mean in practice and the value the Council places on its employees.
 - The Council has a whistle-blowing policy which is available to all staff and Members and is included on the Intranet. The policy identifies how to raise concerns and to whom these should be addressed.
 - The Chief Executive and members of the Corporate Management Team undertake regular staff roadshows and briefings to explain the Councils narrative and to address queries and issues of concern. Most recently this took the format of staff "drop in" sessions with members of CMT (November 2013).

the role of the chief financial officer

In Local Government

CIPFA Statement on the role of the Chief Financial Officer in Local Government

The Chief Financial Officer in a public service organisation:

- is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy; and
- 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.

To deliver these responsibilities the Chief Financial Officer:

- must lead and direct a finance function that is resourced to be fit for purpose; and
- must be professionally qualified and suitably experienced.

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\ foreword

This Statement on the Role of the CFO in Local Government describes the role and responsibilities of CFOs in Local Government. It builds heavily on CIPFA's Statement on the Role of The CFO in Public Services¹ and applies the principles and roles set out in that document to Local Government.

The CFO occupies a critical position in any organisation, holding the financial reins of the business and ensuring that resources are used wisely to secure positive results. While the global financial crisis and economic downturn have made these tasks even more challenging, they have also underlined the fundamental importance of the role. Achieving value for money and securing stewardship are key components of the CFO's role in public service organisations, a duty enshrined in legislation for the CFO in local government.

In order to support CFOs in the fulfilment of their duties and to ensure that local authorities have access to effective financial advice at the highest level, CIPFA is introducing a 'comply or explain' requirement in the annual statement of accounts.

Jon Pittam

Chair

CIPFA Role of the Public Services Director of Finance Panel

Steve Freer

Chief Executive

CIPFA

1 http://www.cipfa.org.uk/panels/finance_director/download/Role_CFO.pdf

definitions used throughout the document

The public services have a variety of organisational structures and governance arrangements. Some include elected representatives, while others are wholly appointed. The following terms are used throughout the Statement in a generic sense. The Statement and the supporting guideline and requirements need to be read in the context of these. Terms in use in different parts of the public services can be substituted for the generic terms used here.

Chief Financial Officer (CFO)

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

Leadership Team

Comprises the Board and Management Team.

Board

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

Management Team

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

Chief Executive

The most senior executive role in the organisation.

Managers

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

Finance Function

The staff with a prime responsibility for financial matters, located either in a central department or within business/service areas. Some functions may be outsourced.

Governance¹

The arrangements in place to ensure that an organisation fulfils its overall purpose, achieves its intended outcomes for citizens and service users, and operates in an economical, effective, efficient and ethical manner.

Financial Management²

The system by which the financial aspects of a public service organisation's business are directed, controlled and influenced, to support the delivery of the organisation's goals.

Audit Committee

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

Internal Audit

An assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives.

Head of Profession

The leading professionally qualified accountant charged with promoting professional standards within the organisation.

Annual Governance Report

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

Public Service Organisation

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

¹ *The Good Governance Standard for Public Services 2004*

² *CIPFA FM Model 2009*

introducing the CIPFA Statement

This Statement on the role of the Chief Financial Officer (CFO) in Local Government aims to give detailed advice on how to apply the overarching public services Statement within local government. The CFO in local government is not only bound by professional standards but also by specific legislative responsibilities. The role and responsibilities of the 'Treasurer' were developed by case law in England and Wales. In *Attorney General v De Winton* 1906, it was established that the Treasurer is not merely a servant of the authority, but holds a fiduciary responsibility to the local taxpayers. Section 151 of the Local Government Act 1972² requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a CFO to have responsibility for those arrangements

Section 95 of the Local Government (Scotland) Act 1973 requires local authorities to make arrangements for the proper administration of their financial affairs and appoint a CFO to have responsibility for those arrangements. In Northern Ireland, section 54 of the Local Government Act (Northern Ireland) 1972 requires local authorities to make safe and efficient arrangements for the receipt of money paid to it and the issue of money payable by it and for those arrangements to be carried out under the supervision the chief financial officer.

This Statement sets out how the requirements of legislation and professional standards should be fulfilled by CFOs in the carrying out of their role. The Statement is not intended to be exhaustive and does not negate the personal responsibility of finance professionals to ensure that they comply with all professional standards and legislative requirements. It is intended to codify the key responsibilities of the CFO in local government and assist those carrying out that role in ensuring that they meet the key personal duties of the role. The Statement refers to CIPFA's Statement of Professional Practice with which all CIPFA members are required to comply. For members of other accountancy bodies this represents best practice within the public sector. All professional accountants should also have regard to their own body's Code of Ethics as well as that produced by International Ethics Standards Board for Accountants (IESBA) on behalf of the International Federation of Accountants (IFAC).

Contained with the appendices for completeness is a description of the legislative framework.

² for the Greater London Authority and its four functional bodies (Transport for London, the London Development Agency, the Metropolitan Police Authority and London Fire and Emergency Planning Authority.) the chief finance officer is not a s151 officer but a s127 officer (GLA Act 1999). For the City of London the chief finance officer the 1989 Local Government and Housing Act that places the Chamberlain in the same relationship to the Court of Common Council as applies to local authority Chief Financial Officers to their councils

using the CIPFA Statement

Statement approach and structure

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

- The Organisation;
- The Role: and
- The Individual.

For each principle the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the CFO role within the organisation. Many of the day-to-day responsibilities may in practice be delegated or even outsourced, but the CFO should maintain oversight and control.

Summaries of personal skills and professional standards then detail the leadership skills and technical expertise organisations can expect from their CFO. These include the key requirements of CIPFA and the other professional accountancy bodies' codes of ethics and professional standards to which the CFO as a qualified professional is bound. The personal skills described have been aligned with the most appropriate principle, but in many cases can support other principles as well.

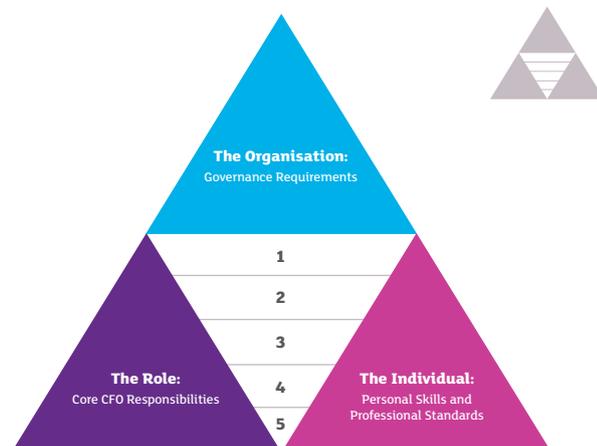
Cipfa Statement on the role of the Chief Financial Officer (CFO) in public service organisations

The CFO in a public service organisation:

- 1 is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- 2 must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
- 3 must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:

- 4 must lead and direct a finance function that is resourced to be fit for purpose; and
- 5 must be professionally qualified and suitably experienced.



\ principle 1



The Chief Financial Officer in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.

Key member of the Leadership Team

The Leadership Team in public services organisations takes many forms, with different mixes of executive and non-executive members and elected representatives. Collectively the Leadership Team are responsible for setting the strategic direction for the organisation, its implementation and the delivery of public services. In recognition of the centrality of financial issues to organisational success it is UK government policy that all government departments should have a professional CFO reporting directly to the permanent secretary with a seat on the departmental board, with a status equivalent to other Board members. HM Treasury recommends 'It is good practice for all other public sector organisations to do the same, and to operate the same standards'. CIPFA fully supports the Treasury's recommendation.

Local authorities operate a number of different democratic models. In local authorities, therefore, the concept of the leadership team will include executive committees, elected mayors, portfolio holders with delegated powers and other key committees of the authority. The CFO should play a key role within these leadership teams whilst balancing their responsibility to advise all members.

Local authorities are required to have a suitably qualified CFO with certain defined responsibilities and powers. The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the authority's Annual Governance Report, together with how these deliver the same impact.

Developing and implementing organisational strategy

All local authorities face competition for limited public funds and have to balance expenditure needs against the burden of local taxation. Many will have allocated cash limits, while others have tax raising powers. All will be concerned to examine opportunities, with suitable assessment of legal powers and risk, for building income streams, whether through attracting external grants, charging for services, or commercial activity. Strategic planning needs to be based on an understanding of the external political landscape, the authority's demand and cost drivers, and the need to manage and fund longer term commitments on a sustainable basis. Finance translates ambitions and goals across the authority into a common language, so the CFO must share in the strategy development and implementation responsibilities of the Leadership Team. These include supporting elected representatives under the proper governance arrangements and the CFO must be in a position to provide unfettered advice to elected representatives to inform their decision making. The CFO must also ensure the members of the Leadership Team have the financial capabilities necessary to perform their own roles effectively.

The CFO must encourage continuous improvement and development to enable the authority to deliver at the highest levels. As well as having the fundamental concern for probity and control, the CFO must be proactive in managing change and risk, be focussed on outcomes, and help to resource the authority's plans for change and development in the public services it provides. As a key member of the Leadership Team, the CFO must also behave in ways that are consistent with the authority's agreed values and objectives.

³ HM Treasury 'Managing Public Money' Annex 4.1. 2007

⁴ The officer appointed as the CFO must, by virtue of section 113 of the Local Government Finance Act 1988 in England and Wales, be a member of a specified accountancy body¹³. There is no equivalent statutory requirement in Northern Ireland and Scotland although in both cases, this is widely acknowledged to be good practice.

⁵ The Annual Governance Statement is currently voluntary in Scotland.

⁶ Under s.114 of the 1988 Local Government Act, applying to England and Wales

Helping resource and deliver organisational objectives

There is a growing trend for CFOs to hold a range of different responsibilities beyond finance, including managing other services or leading change programmes. Whilst these can develop the individual as a corporate manager, authorities must not let the CFO's core financial responsibilities be compromised through creating too wide a portfolio. Dilution and/or overload in the role of the CFO can result in poor financial outcomes for the authority. Setting out the core CFO responsibilities in this Statement is intended to allow local authorities and their CFOs to assess their job descriptions to ensure that their core finance responsibilities can be properly performed.

Local authorities also need to engage with partners through a range of collaborative or commissioned relationships in order to realise their goals. Partnership working and the focus on community outcomes mean that the CFO needs to understand the financial risks and potential liabilities that may impact on the authority and have appropriate involvement in partnerships' business decisions. The CFO must therefore work to develop strong and constructive working relationships with key decision makers in partner organisations.

Delivering the authority's strategic objectives sustainably and in the public interest

Local authorities have a corporate responsibility to operate within available resources and to remain financially sound over the short, medium and longer term. Maximising public value involves an appreciation of user needs, expectations and preferences, and the planning process must allow for their involvement and influence. The internal process to determine priorities often then needs to grapple with service rationing and difficult trade-offs between different groups of service users, as well as between present and future benefits. The overarching long term need to match financial resources to the authority's purposes and policies, within constraints of affordability, taken with the responsibility to citizens and taxpayers for financial stewardship, mean that the CFO must contribute actively to cross organisational issues and to corporate decision making to match resources to the authority's objectives.

Public finance is complex and highly regulated, and the CFO must contribute expert technical

advice and interpretation. CFOs must act in the public interest, even if necessary against a perceived organisational interest. In some types of public service organisation, including local authorities, this professional obligation is given statutory backing, and a fiduciary duty is established in case law. In *Attorney General v De Winton* 1906, it was established that the Treasurer is not merely a servant of the authority, but holds a fiduciary responsibility to the local taxpayers. This remains applicable to the CFO.

Section 151 of the Local Government Act 1972 requires that every local authority in England and Wales should "... make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Section 95 of the Local Government (Scotland) Act 1973 substantially repeats these words for Scottish authorities. In Northern Ireland, section 54 of the Local Government Act (Northern Ireland) 1972 requires that "A council shall make safe and efficient arrangements for the receipt of money paid to it and the issue of money payable by it and those arrangements shall be carried out under the supervision of such officer of the council as the council designates as its CFO."

The CFO's duties in England and Wales were significantly extended by section 114 of the 1988 Act which requires a report to all the local authority's members to be made by that officer, in consultation with the monitoring officer and head of paid service¹⁵, if there is or is likely to be unlawful expenditure or an unbalanced budget. Section 114 does not apply to Scotland – instead the requirement to set a balanced budget is established in s108(2) of the Local Government (Scotland) Act 1973 and s93(3) of the Local Government Finance Act 1992. In Northern Ireland, the equivalent duty – whilst not specified in statute – would rest with the authority's CFO in keeping with the statutory responsibility under section 54 of the Local Government Act (Northern Ireland) 1972.

As holders of the 'red card'¹⁶, the CFO must exercise a professional responsibility to intervene in spending plans in order to maintain the balance of resources so that the authority remains in sound financial health. To ensure that the necessary corrective action is implemented, the CFO must have direct access to the Chief Executive, other Leadership Team members, the Audit Committee and also to external audit.



Governance requirements

Principle 1

- Set out a clear statement of the respective roles and responsibilities of the Leadership Team and its members individually.
- Ensure that the CFO reports directly to the Chief Executive and is a member of the Leadership Team with a status at least equivalent to other members.
- If different organisational arrangements are adopted, explain the reasons publicly, together with how these deliver the same impact.
- Determine a scheme of delegation and reserve powers, including a formal schedule of those matters specifically reserved for collective decisions by the Board, and ensure that it is monitored and updated.
- Ensure that authority's governance arrangements allow the CFO:
 - to bring influence to bear on all material business decisions; and
 - direct access to the Chief Executive, other Leadership Team members, the Audit Committee and external audit.
- Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised.
- Assess the financial skills required by members of the Leadership Team and commit to develop those skills to enable their roles to be carried out effectively.



Core CFO responsibilities

Principle 1

- Contributing to the effective leadership of the authority, maintaining focus on its purpose and vision through rigorous analysis and challenge.
- Contributing to the effective corporate management of the authority, including strategy implementation, cross organisational issues, integrated business and resource planning, risk management and performance management.
- Supporting the effective governance of the authority through development of
 - corporate governance arrangements, risk management and reporting framework; and
 - corporate decision making arrangements.
- Leading or promoting change programmes within the authority.
- Leading development of a medium term financial strategy and the annual budgeting process to ensure financial balance and a monitoring process to ensure its delivery.

⁷ CIPFA LAAP Bulletin on Local Authority Reserves



Personal skills and professional standards

Principle 1

- Role model, energetic, determined, positive, robust and resilient leadership, able to inspire confidence and respect, and exemplify high standards of conduct.
- Adopt a flexible leadership style, able to move through visioning to implementation and collaboration/consultation to challenge as appropriate.
- Build robust relationships both internally and externally.
- Work effectively with other Leadership Team members with political awareness and sensitivity.
- Support collective ownership of strategy, risks and delivery.
- Address and deal effectively with difficult situations.
- Demonstrate best practice in change management and leadership.
- Balance conflicting pressures and needs, including short and longer term trade-offs.
- Demonstrate strong commitment to innovation and performance improvement.
- Manage a broad portfolio of services to meet the needs of diverse communities.
- Maintain an appropriate balance between the technical financial aspects of the CFO role and broader focus on the environment and stakeholder expectations and needs.
- Comply with the IFAC Code of Ethics for Professional Accountants, as implemented by local regulations and accountancy bodies, as well as other ethical standards that are applicable to them by virtue of their professional status as a member of CIPFA or another accountancy institute. The fundamental principles set out in the Code are integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. Impartiality is a further fundamental requirement of those operating in the public services.

\ principle 2



The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.

Responsibility for financial strategy

No organisation can achieve its goals effectively without proper structures for allocating and optimising the use of resources. The centrality of finance means the CFO must play the lead role in advising and supporting the leadership team in turning policy aspirations into reality by aligning financial planning with the vision and strategic objectives for the authority.

Within the overall corporate governance and management structure, the CFO has direct responsibility for leading development and implementation of the financial strategy necessary to deliver the authority's strategic objectives sustainably. The CFO must therefore work closely with decision makers to establish a medium to long term strategy that ensures the financial sustainability of the authority.

The CFO must also develop and manage resource allocation models to optimise service outputs and community benefits within funding constraints and any tax raising limits. In implementing these models, the CFO must ensure that the financial and risk implications of policy initiatives are analysed and appropriately addressed. Models must encompass capital investment programmes and annual operations, as well as financial targets and benchmarks. They must also take into account future commitments, resources available and the desirable levels of reserves, to ensure that the authority's finances remain sustainable.

The statutory guidance⁸ issued by the Secretary of State under the 2000 Local Government Act (England and Wales) advises that local authorities will need to ensure that the CFO and the monitoring officer have access as necessary to meetings and papers and that members must consult with him/her regularly⁹. The advice

continues that the finance director will have an important role in the management of the local authority in particular by

- contributing to corporate management in particular to the provision of professional financial advice
- maintaining financial administration and stewardship
- supporting and advising all members and officers in their respective roles
- providing financial information to the media, members of the public and the community.

There is no equivalent legislative requirement in Scotland or Northern Ireland, but the guidance is equally relevant.

Influencing decision making

Local authorities must be rigorous in their decision making, be explicit about the reasons for their decisions and record the supporting information and expected impact. This requires the CFO to be actively involved in, and able to bring influence to bear on all material business decisions whenever and wherever they are taken.

The CFO must be able to advise the Leadership Team directly, including elected representatives, in order to discharge responsibilities in relation to the authority's financial health and long term viability. The CFO must therefore be a persuasive and confident communicator with the status and credibility to challenge others, and influence material business decisions. The CFO's advice and reports to the Leadership Team must be clear, concise, relevant and timely, highlighting issues that the team needs to be aware of, and options for action.

⁸ New Council Constitutions, Local Government Act 2000 – guidance to English local authorities, chapter 8 – officers' roles under executive arrangements, DETR, October 2000

⁹ In Wales the statutory guidance does not include this reference but implies that this should be the case.

The CFO must also work to develop strong and constructive working relationships with both the executive and non executive members of the authority's leadership, creating mutual respect and effective communication. Providing information and advice to elected officials as a public servant will call on an understanding of ethics, the wider public interest, and diplomacy.

The Local Government Act 2003 and Local Government Scotland Act 2003 emphasise the importance of sound and effective financial management. In relation to capital financing there is a statutory requirement for each local authority to set and arrange their affairs to remain within prudential limits for borrowing and capital investment. Advice on fulfilling this responsibility is set out in CIPFA's Prudential Code¹⁰.

In England and Wales there is also a statutory duty on the CFO to report to the authority, at the time the budget is considered and the council tax set, on the robustness of the budget estimates and the adequacy of financial reserves. This is a public report. In addition, the Secretary of State in England or the National Assembly for Wales have reserve powers to specify in regulations a statutory minimum level of reserves that will be used if authorities fail to remedy deficiencies or run down reserves against the advice of the CFO. There is no equivalent specific legislation in Scotland or Northern Ireland.

The CFO also has a key role to play in fulfilling the requirements of the statutory duty¹¹ to keep the authority's finances under review during the year and take action if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.

Financial information for decision makers

At all levels in the authority those taking decisions must be presented with relevant, objective and reliable financial analysis and advice, clearly setting out the financial implications and risks.

The CFO has an important role in ensuring necessary financial information and advice is provided to the Leadership Team and decision makers at all levels across the authority. Meaningful financial analysis and robust and impartial interpretation is a key component in performance management, asset management, investment appraisal, risk management and control.

Although not a specific responsibility of CFOs alone, they – along with the monitoring officer and chief legal officer – should be alert to the 'Wednesbury' rules¹² which emphasise the importance of ensuring that when developing policy all relevant matters are properly considered. The judgement in the case stated that an authority's action in exercise of a statutory discretion would only be regarded unreasonable, in excess of the powers given by Parliament and therefore invalid if

- in making its decision it took into account matters which it ought not to take into account, or
- it did not take into account matters which it should have taken into account, or
- even if the two previous conditions were satisfied the conclusion was so unreasonable that no reasonable authority could ever come to it.

These principles apply regardless of whether decisions on policy are taken by individual members or collectively. In order to demonstrate that these principles have been observed it is important that policy decisions and the associated advice are – as a matter of routine – well and clearly documented. The 'Wednesbury' rules do not apply specifically in Scotland or Northern Ireland, but adherence to these will demonstrate good governance and proper decision making.

10 The Prudential Code for Capital Finance in Local Authorities (Fully Revised Second Edition 2009)

11 Section 28, Local Government Act 2003

12 Associated Provincial Picture Houses v Wednesbury Corporation (1948).



Governance requirements

Principle 2

- Establish a medium term business and financial planning process to deliver the authority's strategic objectives, including:
 - a medium term financial strategy to ensure sustainable finances;
 - a robust annual budget process that ensures financial balance; and
 - a monitoring process that enables this to be delivered.
- Ensure that these are subject to regular review to confirm the continuing relevance of assumptions used.
- Ensure that professional advice on matters that have financial implications is available and recorded well in advance of decision making and used appropriately.
- Ensuring that budget calculations are robust and reserves adequate, in line with CIPFA's guidance.
- Ensure that those making decisions are provided with information that is fit for purpose –relevant, timely and giving clear explanations of financial issues and their implications.
- Ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public money and value for money in its use.
- Ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary.
- Ensure that advice is provided on the levels of reserves and balances in line with good practice guidance
- Ensure compliance with CIPFA's Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code.
- Ensure that appropriate management accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnerships arrangements, outsourcing or where the authority is acting in an enabling role.
- Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority.

¹³LAAP 77 - Local Authority Reserves and Balances, <http://www.cipfa.org.uk/pt/download/laap77.pdf>

**Responsibility for financial strategy**

- Agreeing the financial framework with sponsoring organisations and planning delivery against the defined strategic and operational criteria.
- Maintaining a long term financial strategy to underpin the authority's financial viability within the agreed performance framework.
- Implementing financial management policies to underpin sustainable long-term financial health and reviewing performance against them.
- Appraising and advising on commercial opportunities and financial targets.
- Developing and maintaining an effective resource allocation model to deliver business priorities.
- Leading on asset and balance sheet management.
- Co-ordinating the planning and budgeting processes.

Influencing decision making

- Ensuring that opportunities and risks are fully considered and decisions are aligned with the overall financial strategy.
- Providing professional advice and objective financial analysis enabling decision makers to take timely and informed business decisions.
- Ensuring that efficient arrangements are in place and sufficient resources available to provide accurate, complete and timely advice to support councillors' strategy development.
- Ensuring that clear, timely, accurate advice is provided to the executive in setting the funding plan/budget.
- Ensuring that advice is provided to the scrutiny function in considering the funding plan/budget.
- Ensuring that the authority's capital projects are chosen after appropriate value for money analysis and evaluation using relevant professional guidance.
- Checking, at an early stage, that innovative financial approaches comply with regulatory requirements.

Financial information for decision makers

- Monitoring and reporting on financial performance that is linked to related performance information and strategic objectives that identifies any necessary corrective decisions.
- Preparing timely management accounts.
- Ensuring the reporting envelope reflects partnerships and other arrangements to give an overall picture.



Personal skills and professional standards

Principle 2

- Take all reasonable steps to ensure that:
 - budgets are planned as an integral part of the strategic and operational management of the authority and are aligned with its structure of managerial responsibilities.
 - budgets are constructed on the basis of reliable data of past performance and rigorous assessments of future resources and commitments, and that policies and priorities are evaluated in an open, consistent and thorough manner.
 - responsibilities for budget management and control are unambiguously allocated, that commitments are properly authorised, and that budgets are related to clear objectives and outputs.
 - the accounting and financial information systems make available, at the relevant time to all users, the appropriate information for their responsibilities and for the objectives of the authority.
- Implement other appropriate management, business and strategic planning techniques.
- Link financial strategy and overall strategy.
- Demonstrate a willingness to take and stick to difficult decisions – even under pressure.
- Take ownership of relevant financial and business risks.
- Network effectively within the authority to ensure awareness of all material business decisions to which CFO input may be necessary.
- Role model persuasive and concise communication with a wide range of audiences internally and externally.
- Provide clear, authoritative and impartial professional advice and objective financial analysis and interpretation of complex situations.
- Apply relevant statutory, regulatory and professional standards both personal and organisational.
- Demonstrate a strong desire to innovate and add value.
- Challenge effectively, and give and receive constructive feedback.
- Operate with sensitivity in a political environment.

\ principle 3



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.

Promotion and delivery of good financial management

Good financial management is fundamental to establishing confidence in the public services and good relationships with the taxpayer and other funders. The Leadership Team collectively needs to set the tone that financial management is core to achieving strategic aims, and to demonstrate that public money is used well. Nevertheless it is the CFO who must take the lead in establishing a strong framework for implementing and maintaining good financial management across the authority. The CFO will be instrumental in assessing the existing organisational style of financial management and the improvements needed to ensure it aligns with the authority's strategic direction.

Financial management is the business of the whole authority. When the Leadership Team, managers and the finance function all fulfil their financial management responsibilities successfully, they collectively create the financially literate and adept authority. The CFO must actively promote financial literacy throughout the authority, so that the Leadership Team and managers can discharge their financial management responsibilities, alongside their wider responsibilities in relation to risk and performance management.

Best Value and Value for money

The CFO has a key role to play in balancing control and compliance with value creation and performance. Better value for money releases resources that can be recycled into higher priorities, without increasing taxation. Helping to secure positive social outcomes within affordable funding therefore lies at the heart of the CFO's role in the local authority.

With the foundations in place, good financial management will focus on stretching limited resources to maximise value for the public service. Value for money (economy, efficiency

and effectiveness) should be the concern of all managers, but the CFO will need to take the lead in coordinating and facilitating a culture of efficiency and value for money. This will involve approaches and techniques such as

- Enabling the authority to measure value for money, and making sure that it has the information to review value for money and performance effectively;
- Advising on appropriate strategies for managing assets and stretching utilisation, and the productive use of other resources;
- Providing leadership in using and developing efficiency tools and techniques, including benchmarking, IT, shared services, process analysis and cost management, collaborating with others where this is more efficient, effective or economical; and
- Ensuring the rigorous financial appraisal and oversight of change programmes, income generation proposals and investment projects.

Safeguarding public money

The CFO must lead the implementation and maintenance of a framework of financial controls and procedures for managing financial risks, and must determine accounting processes and oversee financial management procedures that enable the authority to budget and manage within its overall resources. At the most fundamental level this means ensuring robust systems of risk management and internal control, that financial control is exercised consistently, and that the authority implements appropriate measures to protect its assets from fraud and loss.

The CFO also has a specific role with regard to stewardship. This includes ensuring that the governance structures codify financial control, internal control, risk management and assurance, as well as defining a framework of financial

¹⁴ Since July 2001 in England and Wales the Monitoring Officer cannot also be the Head of Paid Service or the Chief Financial Officer – see schedule 5, Para 24 of the Local Government Act 2000 which inserts a new subsection 1A in section 5 of the Local Government and Housing Act 1989. In Scotland section 5(1) para b of the Local Government and Housing Act 1989 makes it each Council's duty to appoint a monitoring officer (MO) – the MO may be the head of paid service but shall not be the authority's CFO.

accountabilities and reporting. In addition to the finance director's responsibilities to the authority, a wider role also exists in relation to the general public. The local authority is regarded as the trustee of local citizens' money, and the finance director has the prime obligation and duty to them to manage the authority's resources prudently on their behalf as established in the 1906 de Winton case.

In effect this means that the finance director has a personal responsibility for the stewardship and safeguarding of public money and for demonstrating that high standards of probity exist. Strong financial management, accurate financial reporting and effective financial controls are therefore central to the finance director's role in local government. This role was strengthened by the Local Government Finance Act 1988 (in England and Wales), which requires the finance director to report inappropriate financial management as well as wrongdoing.

Section 114 of the 1988 Act requires a report to all the local authority's members to be made by that officer, in consultation with the monitoring officer and head of paid service, if there is or is likely to be unlawful expenditure or an unbalanced budget. Section 114 does not apply to Scotland – instead the requirement to set a balanced budget is established in s108(2) of the Local Government (Scotland) Act 1973 and s93(3) of the Local Government Finance Act 1992. In Northern Ireland, the equivalent duty – whilst not specified in statute – would rest with the authority's CFO in keeping with the statutory responsibility under section 54 of the Local Government Act (Northern Ireland) 1972. Further guidance recommending courses of action to be followed when a report under s114 may be required is attached at appendix C to this Statement. Although section 114 does not apply to Scotland or Northern Ireland the principles that underlie it and the actions proposed in appendix C are recommended to finance directors as a means of discharging their overall responsibility for sound financial management.

Consistency of standards and transparency in financial activities are essential. In this context, CIPFA's view is that the statutory role of the CFO does not stop at the boundaries of the local authority but extends into its partnerships, devolved arrangements, joint ventures and companies in which the authority has an interest.

Assurance and scrutiny

Accountability for public expenditure is a core requirement for local authorities. They are held accountable by intermediary stakeholders, such

as scrutiny groups, service inspectorates and external auditors, and by primary stakeholders: the citizens, service users, funders and taxpayers.

Managing information flows is a key component of the CFO's role as an ambassador for the authority on financial matters and in building relationships with stakeholders. The CFO must also provide information and advice to those who officially scrutinise and review the authority; funders, regulators, and external audit, and any group which exercises scrutiny internally. The community, taxpayers and the press also expect information.

Internal audit is an important independent internal scrutiny activity. The CFO must support the authority's internal audit arrangements and ensure that the Audit Committee receives the necessary advice and information, so that both functions can operate effectively.

Public service providers face a variety of regulatory requirements and standards for external financial reporting, while measures of value are expressed both as financial and as non-financial performance targets. The role of the CFO in external reporting is to meet the reporting requirements relevant to the authority and to apply professional good practice, conscious of the needs of users. External financial reporting must be of good quality, supported by analysis and documentation and should receive an unqualified audit opinion. This will be facilitated if the CFO maintains a constructive professional relationship with external auditors and inspectors.

The Accounts and Audit Regulations 2003 (England and Wales), in Scotland, the Local Authority Accounts (Scotland) Regulations 1985 and in Northern Ireland the Local Government (Account and Audit) regulations (Northern Ireland) 2006 impose responsibilities on the finance director relating to accounting records and supporting information, control systems and the statement of accounts.

A key feature of the Regulations in England and Wales is the requirement for internal audit. Regulation 6 requires that a 'relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control'. Similar references exist for Northern Ireland in regulation 3a of the Local Government (Account and Audit) regulations (Northern Ireland) 2006. Although there is no specific reference to internal audit for Scotland the successful discharge of the finance director's responsibilities depends in part on effective internal audit.



Governance requirements

Principle 3

- Make the CFO responsible for ensuring that appropriate advice is given on all financial matters, for keeping financial records and accounts, and for maintaining an effective system of financial control.
- Ensure that systems and processes for financial administration, financial control and protection of the authority's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.
- Ensure that the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes. Ensuring that these controls are an integral part of the authority's underlying framework of corporate governance and that they are reflected in its local code.
- Address the authority's arrangements for financial and internal control and for managing risk in Annual Governance Reports.
- Publish annual accounts on a timely basis to communicate the authority's activities and achievements, its financial position and performance.
- Ensure an effective internal audit function is resourced and maintained.
- Develop and maintain an effective Audit Committee.
- Ensure that the authority makes best use of resources and that taxpayers and/or service users receive value for money.
- Embed financial competencies in person specifications and appraisals.
- Assess the financial skills required by managers and commit to develop those skills to enable their roles to be carried out effectively.
- Ensure that councillors' roles and responsibilities for monitoring financial performance/budget management are clear, that they have adequate access to financial skills, and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities.

**Promotion of financial management**

- Assessing the authority's financial management style and the improvements needed to ensure it aligns with the authority's strategic direction.
- Actively promoting financial literacy throughout the authority.
- Assisting the development of a protocol which clearly sets out the roles and responsibilities of both democratically elected councillors, whether acting in executive or scrutiny roles, and of officers for financial management, including delegated authority/powers.

Value for money

- Challenging and supporting decision makers, especially on affordability and value for money, by ensuring policy and operational proposals with financial implications are signed off by the finance function.
- Advising on the financial thresholds for 'key' decisions where there is a requirement to do so.
- Developing and maintaining appropriate asset management and procurement strategies.
- Managing long term commercial contract value.

Safeguarding public money

- Applying strong internal controls in all areas of financial management, risk management and asset control.
- Establishing budgets, financial targets and performance indicators to help assess delivery.
- Implementing effective systems of internal control that include standing financial instructions, operating manuals, and compliance with codes of practice to secure probity.
- Ensuring that the authority has put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards and in line with CIPFA's Code of Practice.
- Ensuring that delegated financial authorities are respected.
- Promoting arrangements to identify and manage key business risks, including safeguarding assets, risk mitigation and insurance.
- Overseeing of capital projects and post completion reviews.
- Applying discipline in financial management, including managing cash and banking, treasury management, debt and cash flow, with appropriate segregation of duties.
- Ensuring the effective management of cash flows, borrowings and investments of the authority's own funds or the pension and trust funds it manages on behalf of others; ensuring the effective management of associated risks; pursuing optimum performance or return consistent with those risks.
- Implementing appropriate measures to prevent and detect fraud and corruption.
- Establishing proportionate business continuity arrangements for financial processes and information.
- Ensuring that any partnership arrangements are underpinned by clear and well documented internal controls.

Assurance and scrutiny

- Reporting performance of both the authority and its partnerships to the board and other parties as required.
- Ensuring that financial and performance information presented to members of the public, the community and the media covering resources, financial strategy, service plans, targets and performance is accurate, clear, relevant, robust and objective.
- Supporting and advising the Audit Committee and relevant scrutiny groups.
- Ensuring that clear, timely, accurate advice is provided to the executive and the scrutiny functions on what considerations can legitimately influence decisions on the allocation of resources, and what cannot.
- Preparing published budgets, annual accounts and consolidation data for government-level consolidated accounts.
- Ensuring that the financial statements are prepared on a timely basis, meet the requirements of the law, financial reporting standards and professional standards as reflected in the Code of Practice on Local Authority Accounting in the United Kingdom developed by the CIPFA/LASAAC Joint Committee.
- Certifying the annual statement of accounts.
- Ensuring that arrangements are in place so that other accounts and grant claims (including those where the authority is the accountable body for community led projects) meet the requirements of the law and of other partner organisations and meet the relevant terms and conditions of schemes
- Liaising with the external auditor.



- CFOs should take all reasonable steps to ensure that:
 - effective systems and procedures operate to monitor progress against budgets and their objectives at regular intervals, and that appropriate reporting mechanisms are in place.
 - that payments, including benefits and taxation, are made on time, accurately and in accordance with legal requirements.
 - Cash is handled with special care to avoid loss, particularly loss through theft and secure arrangements are in place to deal with the handling of electronic or other cash-less transactions.
 - the accounting and financial information systems provide an accessible, complete, comprehensive, consistent and accurate record of the authority's financial transactions.
 - all financial reports are relevant, reliable and consistent, are compatible with the authority's accounting and financial information systems available, at the relevant time to all users, the appropriate information for their responsibilities and for the objectives of the authority.
 - Within the specific legislative framework for each authority, systems exist to secure the efficient and effective management of taxes, in particular to ensure that tax liabilities and obligations are properly reported and accounted for and to prevent any tax losses.
 - Treasury management is carried out in accordance with CIPFA's treasury management code and that effective treasury management arrangements are in place.
- Generate 'buy-in' to, and support delivery of, good financial management across the authority.
- Develop and sustain partnerships, and engage effectively in collaboration.
- Deploy effective facilitation and meeting skills.
- Build and demonstrate commitment to continuous improvement and innovative, but risk-aware, solutions.
- Place stewardship and probity as the bedrock for management of the authority's finances.

\ principle 4



The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.

Meeting the finance needs of the business

The organisation of finance functions is changing rapidly. Traditionally they have been centralised services, but increasingly they include devolved finance teams in business areas. Arrangements may also now include outsourced functions, or services shared between organisations.

Whatever the structure, a strong customer focus both externally and internally must be a key feature of the way the finance function does business. It must support the authority's broader development agenda, by appraising investment options and change programmes and contributing creative financial solutions within an effective risk management framework.

The finance function must also have a firm grasp of the authority's financial position and performance. The CFO must ensure that there is sufficient depth of financial expertise, supported by effective systems, to discharge this responsibility and challenge those responsible for the authority's activities to account for their financial performance. The resources available must be proportionate to the complexity of the financial environment.

Section 114(7) of the Local Government Finance Act 1988 requires authorities in England and Wales to provide their CFO (CFO) with 'such staff, accommodation and other resources as are in his opinion sufficient to allow his duties under this section (ie s114) to be performed'. There is no equivalent requirement in Scotland or Northern Ireland.

Appropriately developed finance skills

The CFO must promote financial literacy throughout the authority, including championing training and development of relevant skills at all levels. However the CFO has a particular responsibility for learning and development amongst finance staff in order to ensure that both current and likely future finance skill needs are addressed. This will include identifying the competencies needed by the finance function, including specialist skills, and ensuring it can access the skills and experience to exercise stewardship of public finances, develop financial performance and contribute effectively to new organisational directions and innovation.

The CFO must ensure that the Head of Profession role for accountants and finance specialists authority-wide is properly discharged in order to ensure compliance with regulatory and professional standards. Exercising leadership on financial matters in a devolved environment will require a documented line of professional accountability to the CFO, where this is not a direct line management relationship.



Governance requirements

Principle 4

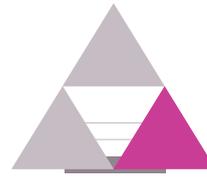
- Provide the finance function with the resources, expertise and systems necessary to perform its role effectively.
- Ensure there is a line of professional accountability to the CFO for finance staff throughout the authority..



Core CFO responsibilities

Principle 4

- Leading and directing the finance function so that it makes a full contribution to and meets the needs of the business.
- Determining the resources, expertise and systems for the finance function that are sufficient to meet business needs and negotiating these within the overall financial framework.
- Implementing robust processes for recruitment of finance staff and/or outsourcing of functions.
- Reviewing the performance of the finance function and ensuring that the services provided are in line with the expectations and needs of its stakeholders.
- Seeking continuous improvement in the finance function.
- Identifying and equipping finance staff, managers and the Leadership Team with the financial competencies and expertise needed to manage the business both currently and in the future.
- Ensuring that the Head of Profession role for all finance staff in the authority is properly discharged.
- Acting as the final arbiter on application of professional standards.



Personal skills and professional standards

Principle 4

- Create, communicate and implement a vision for the finance function.
- Role model a customer focussed culture within the finance function.
- Establish an open culture, built on effective coaching and a “no blame” approach.
- Promote effective communication within the finance department, across the broader authority and with external stakeholders.
- Apply strong project planning and process management skills.
- Set and monitor meaningful performance objectives for the finance team.
- Role model effective staff performance management.
- Coach and support staff in both technical and personal development.
- Promote high standards of ethical behaviour, probity, integrity and honesty.
- Ensure, when necessary, that outside expertise is called upon for specialist advice not available within the finance function.
- Promote discussion on current financial and professional issues and their implications.

\ principle 5



The CFO in a local authority must be professionally qualified and suitably experienced.

Demonstrating professional and interpersonal skills

The CFO must be able to demonstrate their own professional standing to exercise financial leadership throughout the authority. As a member of a professional body, the CFO's skills, knowledge and expertise will have been tested by examination and must be continuously developed in a structured and monitored context. The CFO must adhere to the professional values of accuracy, honesty, integrity, objectivity, impartiality, transparency and reliability and promote these throughout the finance function.

The CFO must communicate complex financial information in a clear and credible way. They should be able to operate effectively in different modes including directing, influencing, evaluating and informing. The CFO must also have the confidence to give impartial and objective advice even if it may be unwelcome, and be sufficiently forceful to intervene with authority if financial or ethical principles need to be asserted or defended.

The officer appointed as the CFO must, by virtue of section 113 of the Local Government Finance Act 1988 in England and Wales, be a member of a specified accountancy body. There is no equivalent statutory requirement in Northern Ireland and Scotland although in both cases, this is widely acknowledged to be good practice.

The statutory role must be performed by an 'officer' of the authority. Although 'officer' is not defined the legal view is that the terms 'staff' and 'officer' in the Local Government Act 1972 and elsewhere are intended to embrace all employees of local authorities¹⁴. It is permissible for an authority to procure non-statutory financial management services from an individual on the basis of a service contract.

Applying business and professional experience

The CFO must have an understanding and commitment to the wider business, looking beyond narrow financial objectives, to inspire respect, confidence and trust amongst colleagues, inspectors and stakeholders. In practice this means being creative and constructive in strategic roles and effective in management responsibilities, with a sound grasp of approaches such as performance management and project leadership.

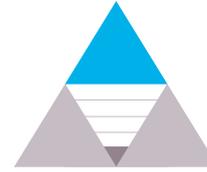
The CFO must understand how and when to apply the tools and techniques of financial analysis in support of business decisions in order to evaluate proposals and to offer well founded and expert advice. Such techniques include strategic analysis, review of sector best practice, benchmarking, option appraisal, performance measurement, and risk assessment. However data is not always clear cut and the CFO must also be able to apply judgement to imperfect information.

The CFO must have a good understanding of public sector finance and its regulatory environment and comply with standards formulated through rigorous due process in support of the public interest to support the Leadership Team effectively. The CFO must also have a good understanding of the principles of financial management, and personally set a tone for the authority that finance matters and is a key part of everyone's job throughout the authority.

¹⁵ IFAC: Code of Ethics, 2005

¹⁶ Defined to mean a qualified member of one of the six bodies comprising the Consultative Committee of Accountancy Bodies (CCAB) in the UK and Ireland, that is

- Chartered Institute of Public Finance and Accountancy
- The Institute of Chartered Accountants in England and Wales
- The Institute of Chartered Accountants of Scotland
- The Institute of Chartered Accountants in Ireland
- Chartered Institute of Management Accountants
- The Association of Chartered Certified Accountants.



Governance requirements

Principle 5

- Appoint a professionally qualified CFO whose core responsibilities include those set out under the other principles in this Statement and ensure that these are properly understood throughout the authority.
- Ensure that the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non-financial areas of their role.



Personal skills and professional standards

Principle 5

- Be a member of an accountancy body recognised by the International Federation of Accountants (IFAC), qualified through examination, and subject to oversight by a professional body that upholds professional standards and exercises disciplinary powers.
- Adhere to international standards set by IFAC on:
 - ethics
 - Continuing Professional Development.Demonstrate IT literacy.
- Have relevant prior experience of financial management in the public services.
- Understand public service finance and its regulatory environment.
- Apply the principles of public financial management.
- Understand personal and professional strengths.
- Undertake appropriate development or obtain relevant experience in order to meet the requirements of the non-financial areas of the role.

Legislative Requirements

Section 151 of the Local Government Act 1972 – England And Wales

This section requires that every local authority in England and Wales should “make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs”.

The words “proper administration” are not statutorily defined nor have they received judicial consideration. Section 58 of the Local Government Act 1958 had somewhat narrower wording requiring authorities to make “safe and efficient” arrangements for the receipt and payment of money.

- “proper administration” requires a somewhat wider consideration of all aspects of local authority financial management and should include:
- compliance with the statutory requirements for accounting and internal audit
- ensuring the Authority’s (and ultimately its members’) responsibility for securing proper administration of its financial affairs (Lloyd v McMahon (1982) AC 625)
- proper exercise of a wide range of delegated powers both formal and informal (Provident Mutual Life Assurance Association v Derby City Council (1981) 1 WCR 173)
- responsibility for managing the financial affairs of the local authority in all its dealings
- recognition of the fiduciary responsibility owed to local taxpayers (Attorney General v De Winton (1906) 2 CH 106).

This view is strengthened by Section 113 of the Local Government Finance Act 1988 which requires the responsible officer under Section 151 of the 1972 Act to be a member of a specified accountancy body.

Section 95 of the Local Government (Scotland) Act 1973 - Scotland

Section 95 states that: -

“every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.”

The same considerations as to the meaning of ‘proper administration’ as set out above apply in Scotland. There is no equivalent statutory requirement to Section 113, Local Government Finance Act 1988, requiring the CFO to be a member of a specified accountancy body, in Scotland although in both cases, this is widely acknowledged to be good practice.

Section 54 of the Local Government Act (Northern Ireland) 1972 – Northern Ireland

Section 54 requires that “A council shall make safe and efficient arrangements for the receipt of money paid to it and the issue of money payable by it and those arrangements shall be carried out under the supervision of such officer of the council as the council designates as its CFO.”

The Northern Ireland Act uses the more narrow wording previously used under the 1958 Local Government Act. There is no equivalent statutory requirement to Section 113, Local Government Finance Act 1988, requiring the CFO to be a member of a specified accountancy body, in Northern Ireland although in both cases, this is widely acknowledged to be good practice.

Appendix A

Section 114 of the Local Government Finance Act 1988 – England And Wales

The responsible officer under Section 151 of the 1972 Act had his or her duties significantly extended by Section 114 of the 1988 Act which requires a report to all the Authority's members to be made by that officer, in consultation with the Council's Monitoring Officer, if there is, or is likely to be unlawful expenditure or an unbalanced budget.

Introduction

Section 114 (1) of the Local Government Finance Act 1988 places a duty on the Chief Finance Officer (CFO) as defined in that subsection to report certain matters to the authority. Serious consequences could follow making such a report and this note recommends sound procedures and consultation particularly with the authority's Chief Legal Officer (CLO)¹⁷ if that person is not the Monitoring Officer (in addition to consultation with the Head of Paid Service and the Monitoring Officer as required by law) prior to making the report.

The duty of the CFO to report is triggered if s(he) believes that a decision involves (or would involve) unlawful expenditure a course of action is unlawful and is likely to cause a loss or deficiency an entry of account is unlawful.

In those circumstances the CFO is required to make a report to the authority and send a copy to every member and the external auditor. The course of conduct which led to the report must not be pursued until the full council has considered the report. The council must consider the report within 21 days and decide whether it agrees or disagrees with the views in the report and what action it proposes to take.

Likewise the CFO must report to the authority where s(he) believes that the authority's expenditure is likely to exceed available resources. The authority is prevented from entering into any agreements incurring expenditure until the council has considered the report.

Regulations under the Local Government Act 2000 have amended section 114 for those authorities in England operating executive arrangements. In those cases such reports are submitted to full council in respect of non-executive functions and to the executive for executive functions.

Under the new sections 114A and 115B, the CFO's report about unlawful expenditure must be submitted to the executive, where it relates to actions taken by the executive. Copies must be sent also to all members of the authority and the external auditor (and the council manager if there is one).

All action in respect of such a report must be suspended until the executive has considered the report. The executive must provide a report to the authority, the CFO and the external auditor, explaining what action, if any, is to be taken and the reasons.

This guidance note is intended to assist in the provision of sound legal (and financial) advice to members of the authority but in the last analysis the duty to make a part VIII report is placed on the CFO and nothing in this note derogates from that responsibility.

The legislation raises issues that could place the CFO in conflict with his or her employers. The consequences of submitting a part VIII report are unlikely to be in the long term interests of the

¹⁷ reference is made to consulting the Chief Legal Officer (CLO). The statutory duty, however, is to consult the Head of Paid Service and Monitoring Officer (MO). The MO is often the CLO. Where s(he) is not, both should be consulted. (The reference to CLO may have originated from the practice in some authorities for the Chief Executive to also be the Monitoring Officer. Since 28 July 2001 the Monitoring Officer cannot also be the Chief Executive (Head of paid service). The Monitoring Officer cannot also be the Chief Financial Officer.)

Appendix A

authority, its officers (or even local government generally) if many have to be made. The need to issue a number of s114 reports would also indicate that there are underlying problems with the overall performance of the authority. Every action should be taken to avoid conflict by providing timely advice to elected members and where possible offering alternative lawful solutions on financial matters. However, at the end of the day section 114 imposes a statutory duty on the CFO.

Preliminary matters

The origin of information giving rise to consideration of the need for a part VIII report could be the CFO's staff, an officer, a member of the authority, a member of the public or the auditor. The attention of all elected members and all officers should be drawn to the duty of the CFO and to his or her responsibility for signalling possible subjects for investigation which may lead to a formal report. This could in part be achieved by including details of the CFO's statutory duty in the member/officers' protocol in the local authority's written constitution which must be prepared and maintained under section 37 of the 2000 Act. The topic should also be included in members' training programmes.

Making a report under sections 114 (2) and 114A(2) requires the CFO to make a decision that an act or omission is or could be unlawful; this decision should only be taken after full consultation with the Head of Paid Service, the authority's Monitoring Officer (MO) (and Chief Legal Officer (CLO) where the CLO is not the MO) whereas a report under section 114 (3) requires a financial judgement on (essentially) the budget which the CFO could take alone. Even in a section 114(3) report the CFO is required by statute to

consult the Head of Paid Service (chief executive) and the MO because other corporate and legal issues may well flow from the report and because there may be overlaps with the MO's duty to report to the authority about unlawfulness under the Local Government and Housing Act 1989 section 5.

MOs have a reciprocal duty to issue reports under section 5 of the 1989 Act and to consult the Head of Paid Service (chief executive) and CFO on their reports.

Circumstances of a developing situation (for example, shortage of budget resources or a prospective unlawful act) should be distinguished from the imminent or actual situation. Timing of a part VIII report will need careful thought and decision.

There may well be occasions when the chief executive (CE), the MO, the CLO or the CFO will be asked for a view on matters which the authority has under consideration but which if developed might lead to a part VIII report. A mere preliminary enquiry or request should not lead to a formal report under the Act. If the situation develops the need to report must be reviewed.

It is not considered that the provisions of sections 114 (2) and 114A (2) relate to cases of discovered fraud (which could be the subject of criminal prosecution) – these should normally be dealt with under the authority's financial regulations.

A decision will be needed whether to report or not on items which could be regarded as outside sections 114 (2) and 114 A (2) such as trivial expenditure or loss of income although there may be circumstances in which such a report may be justified.

Appendix A

In the case of action under section 114 (3) the need for a report arises only where an authority's total resources fall short of likely expenditure. It does not apply where, say, a committee's budget is overspent – this might be the subject of a report outside the provisions of part VIII although this could in some circumstances amount to a loss or deficiency under section 114 (2) (b) or 114 A (2) (b).

This note assumes that within the authority the CE, MO/CLO and CFO are three separate posts; they may not always be so, although there is now a statutory bar on the CE or CFO being the authority's MO. The authority's MO may also be the CLO. Where (s)he is not, both should be consulted.

Recommended Procedures

Having regard to the circumstances and the preliminary matters mentioned above the procedure for a report under section 114 (2) or 114 A (2) – an unlawful act or omission – is suggested as follows

- consult with the MO/CLO on the issue of unlawfulness
- consult the CE on the matter (s114(3A) and s114 A (3))
- if there is disagreement or doubt the CFO should ask the MO/CLO to obtain Opinion of Counsel
- if there is still disagreement after Counsel's Opinion, the CFO and MO/CLO refer the matter to the CE for assistance on procedures but CEs should not substitute their own advice, even where legally or financially qualified.

Under section 114 (3) where the matter is an unbalanced budget – real or potential – the CFO is in a better position to come to a decision unaided. However it is recommended

- an informal indication is given by the CFO at a very early stage and an attempt made to get immediate remedial action
- the likelihood of a report under section 114 (3) should be made known to the CE at an early opportunity
- the CFO should consider informal consultation with the internal and external auditor
- at this point the CFO has to decide the course of action. If it is decided to proceed, go to next stage.
- Where the CFO decides there is a case for a part VIII report
- if the action or expenditure is potential the CFO should draft a report stating the facts and reasons and discuss with the MO, the CE and relevant chief officers how to obviate the need for the report by remedial action. If successful the matter will rest
- where action as above is not successful, or where the act or expenditure has already happened, the CFO should draft a report as above in consultation with CE and MO. The report should clearly state that it is made under the relevant sub-section of section 114 or section 114 (A) of the Local Government Finance Act 1988 and the consequences. The CFO then 'makes' the report by signing it personally
- the statutory duty to make a part VIII report and send a copy to each member of the authority and the external auditor rests on the CFO. The Act does not say when a report is to be sent but implies it should be sent as soon as reasonably practicable

Appendix A

- where an authority in England or Wales is operating executive arrangements under the Local Government Act 2000 the report must be to the full council and sent to each member of the council and to the auditor, if it relates to non-executive functions or the likelihood of an unbalanced budget
- where the local authority is operating executive arrangements, and the executive (or a person on their behalf) is about to make or has made a decision involving unlawful expenditure, a loss or deficiency or an unlawful item of account, the CFO must make the report to the executive, and send copies to every member, the auditor and (in the case of a mayor and council manager) the council manager
- the duty to make and send the report rests with the CFO and that starts the 21 day 'prohibition period' and in normal circumstances the timing of sending it needs to be carefully considered in consultation with the 'Proper Officer' for calling meetings (and the CE if not that officer)
- part VIII reports are likely to be made in highly contentious circumstances and as such could be the target for legal challenge. They must therefore be subject to most careful drafting, rehearsing all relevant matters and arguments besides clearly advising as to the options or decisions sought.

Whatever the decision, the CFO must have taken all steps necessary to arrive at and justify that decision. The CFO should ensure that there is a proper record of the considerations leading to the decision.

The executive must then meet within 21 days to consider the CFO's report and until it does so it must take no action on the decision which is the subject of the report. After considering the report, the executive must prepare a report which specifies what action (if any) the executive has taken in response, what action the executive

proposes to take in response and when it proposes to take that action and the reasons for taking the action. A copy of that report must be sent to the external auditor, every member of the council and the CFO.

Liaison With Proper Officer Responsible For Calling Meetings: (Schedule 12 Local Government Act 1972)

It is for the Proper Officer to advise on procedure for considering the report but by agreement such information could be included in the CFO's report or accompany it.

The report could be sent to each member of the authority as a separate document. However, in the case of reports to the full council, it would be advisable to send the report with the council summons to the meeting which will consider it. In the case of reports to the executive, the report could be sent with the agenda for the meeting which will consider it, but in addition copies will have to be sent direct to the remaining members of the council and the council manager (if any). In both cases copies of the report must be sent to the auditor.

The statutory duty to send the report is the CFO's but it is recommended that normally the authority's usual procedure for sending reports to all members be followed. However, proof of the sending of the report to individual addresses may subsequently be needed, so special arrangements for delivery may be required.

Other Matters

Once the CFO has sent the report addressed to each member of the authority (or to each member of the council, the executive and council manager (if any) where executive arrangements are operating) and to the external auditor, his/her reporting duty under part VIII has been completed¹⁸. In the case of authorities with

¹⁸ If inadequate action is agreed in response to a s114(3) report the CFO may need to consider – in conjunction with the CE, MO and (if necessary) take legal advice – whether or not a further report is required to address the situation that then exists.

Appendix A

executive arrangements, the executive must then issue its report in response. The CFO, under his/her section 151 responsibilities may then have to advise full council on the outcome. If the authority (or the executive) acts positively on the s114 (114A) report, well and good; if not, any further formal action is to be taken by the external auditor pursuant to section 6 of the Audit Commission Act 1998 or by the issue of an 'advisory notice' under section 19A or by applying to the Court for a declaration under section 17 of the 1998 Act.

The authority's standing orders and financial regulations should be compatible with the part VIII procedures.

In the light of these provisions it is clearly essential that all reports to committees or to the executive, an executive committee or an individual executive member containing financial matters should be cleared with the CFO. The CFO should also have access to all decision records, minutes and forward plans of executive key decisions.

The 1988 Act requires the authority to provide the CFO with sufficient resources to carry out his/her duties under part VIII. These would include the cost of obtaining advice and resources outside the authority if required.

The CFO's duties under part VIII must be carried out by him or her personally and it is recommended that (s)he nominates a person to act in his/her absence or when (s)he is ill under section 114(6).

The activities of companies set up by authorities appear to be outside the present legislation for section 114/114A reports.

Where a report has been made under section 114(3), arrangements need to be made to inform all persons, including school staff, who have

delegated authority to enter commitments, that such powers are suspended during the prohibition period.

Section 114 Equivalent In Scotland And Northern Ireland

Section 114 does not apply to Scotland – instead the requirement to set a balanced budget is established in s108(2) of the Local Government (Scotland) Act 1973 and s93(3) of the Local Government Finance Act 1992. In Northern Ireland, the equivalent duty – whilst not specified in statute – would rest with the authority's CFO in keeping with the statutory responsibility under section 54 of the Local Government Act (Northern Ireland) 1972.

Appendix B

Legal Opinion from Eversheds To CIPFA on the Definition of Officer

Section 151 of the Local Government Act 1972, requires every Authority to “secure that one of their officers has responsibility for the administration of those (financial) affairs”. There is no definition of “officer”. It is thought that the term “staff” and “officer” in the Local Government Act 1972 and elsewhere, are intended to embrace all employees of local authorities. For example, the Local Government (Staff Transfer Schemes) Order 1973, defines “officer” for the purposes of the order as “the holder of any office or employment under that council”.

There has been an employment case: Johnson-v-Ryan and Others (Employment Appeal Tribunal 2000), which held that on the facts of that case, a rent officer was also an employee of the District Council concerned. The case made the distinction between three categories of office holder:

- 1** An office-holder whose rights and duties are defined by the office they hold and not by any contract, such as police officer;
- 2** Those who retain the title “office-holder” but are in reality employees with a contract of service; and
- 3** Employees who are both office holders and employees, such as company directors.

The case also made a reference to the role of local authorities’ Chief Finance Officers and suggests that a Chief Finance Officer is an office-holder and an employee, because his/her duties are an integral part of the functions of the local authority.

On this basis, the safest course of action is for the Section 151 Officer to be an employee of the council, although it is permissible for a local authority to procure non statutory financial management services from an individual on the basis of a contract for services.

The statutory Chief Finance Officer role may be capable of being performed in a proportion of the time that an individual works for an authority. In some cases, it may therefore be appropriate to apportion part of the time of the individual between the statutory functions and the non-statutory functions. In other words, for example, a Chief Finance Officer could be directly employed for, say, 20% of their role and engaged on a Service Contract for 80% of their role. Clearly, the circumstances will vary depending upon the particular circumstances of the authority.

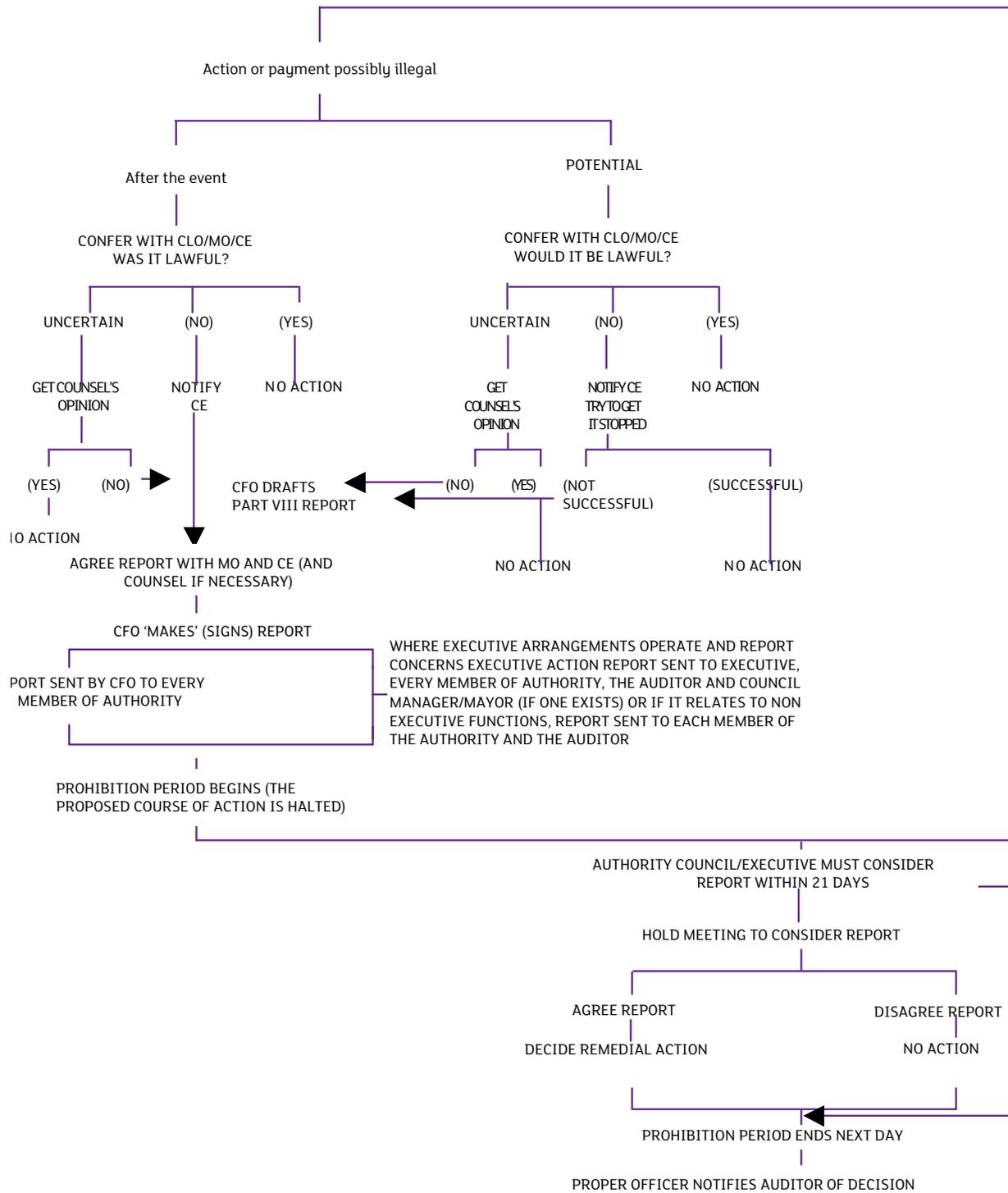
J Barnes

Eversheds

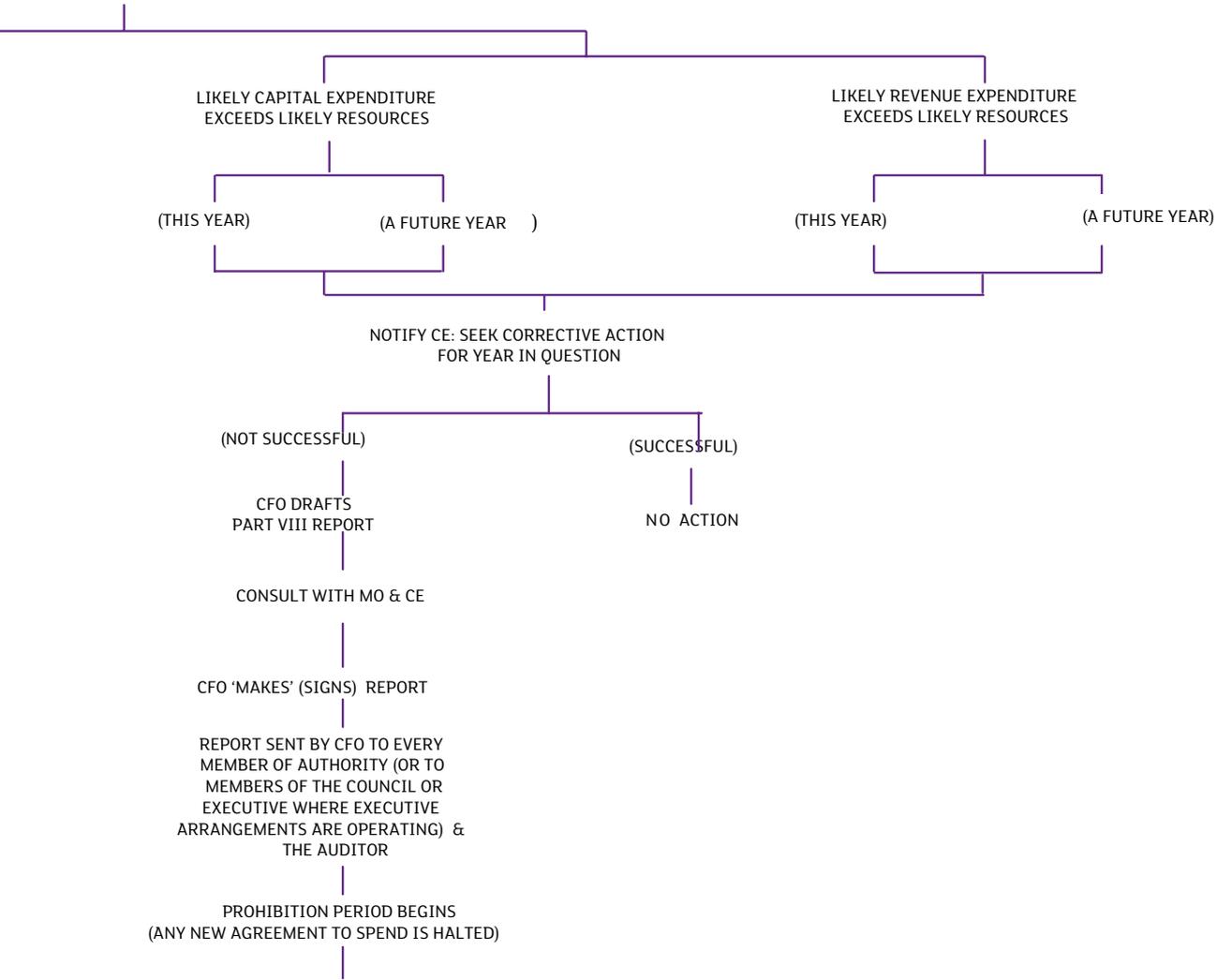
February 2010

Flow chart for Section 114 Local Government Finance Act 1988 (England and Wales) Procedures

Matter



Comes to the Attention Of The CFO



PROPER OFFICER NOTIFIES AUDITOR OF DATE TIME AND PLACE OF MEETING

WHERE EXECUTIVE ARRANGEMENTS OPERATE, EXECUTIVE MUST REPORT ON ACTIONS (IF ANY) TAKEN IN RESPONSE, TIMING AND REASONS TO THE AUTHORITY, CFO AND AUDITOR



Registered office:

3 Robert Street, London WC2N 6RL

T: 020 7543 5600 F: 020 7543 5700

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INVESTOR IN PEOPLE



ANNUAL REVIEW OF THE EFFECTIVENESS OF THE INTERNAL AUDIT FUNCTION

1.0 Purpose of Report

1.1 To initiate the annual review of the effectiveness of the Internal Audit function.

2.0 Background Information

2.1 Regulation 6(3) of the Accounts and Audit (England) Regulations 2011 requires the Council to review the effectiveness of internal audit once a year and for the findings of the review to be considered by a Committee of the Council. The Audit & Accounts Committee is the most appropriate one in the case of this Council.

2.2 In this context 'internal audit' is not just restricted to the role, activity and effectiveness of the internal audit team; it also applies to the role, activity and effectiveness of the Audit & Accounts Committee itself. Guidance makes it clear that is not the role of the external auditor to undertake this work. It is for the authority itself to complete a review.

2.3 Last year a working group consisting of the Chairman of the Audit & Accounts Committee, one other member of the Committee, the Director Resources and the Business Manager Financial Services carried out the review, reporting the results to the 11th February 2015 meeting of the Committee.

3.0 Proposals

3.1 Effectiveness of the Internal Audit Function: - To address the statutory requirement, it is proposed that the annual review of the effectiveness of the Internal Audit function against the Public Sector Internal Audit Standards (PSIAS) is undertaken. This should be carried out in time to inform the Annual Governance Statement. A copy of the PSIAS giving details of the requirements has been provided to members in the past, but can be sent out again if required. The PSIAS have not changed in the last year. The document will be available to the working group. The effectiveness of the Internal Audit function should be assessed against these standards.

3.2 The Head of Internal Audit has carried out a self-assessment of Audit Lincs against the Public Sector Internal Audit Standards which can be used as the basis to undertake the review.

3.3 Self-Assessment of the Audit & Accounts Committee: - The CIPFA publication "Audit Committees – Practical Guidance for Local Authorities" has been sent out to Members in the past, but can be sent out again if required. This document has also not changed in the last year. It includes a self-assessment checklist for Audit Committees. The document and checklist will be available to the working group. It is proposed that the working group complete the CIPFA self-assessment questionnaire to determine the effectiveness of the Audit & Accounts Committee, and consider progress with the action plan produced as a result of the last review.

3.4 It is proposed that the group convened to carry out this work comprises the same make up as before.

4.0 RECOMMENDATIONS

That the Audit and Accounts Committee:

- a) Convene a joint Member/officer working group to undertake the review of effectiveness of internal audit;
- b) Task the group to undertake a review of the internal audit function against the PSIAS;
- c) Task the group to carry out a self-assessment of the effectiveness of the Committee using the CIPFA checklist and considering the previous year's action plan;
- d) Agree a date for the review to be carried out.

Background Papers

Nil

For further information please contact Nicky Lovely, Business Manager Financial Services on extension 5317.

David Dickinson
Director - Resources

RESPONSES TO QUESTIONS RAISED AT THE PREVIOUS MEETING

1.0 Purpose of Report

1.1 To provide answers to questions raised at the last meeting of the Audit & Accounts Committee.

2.0 Can further information relating to the budget and spend of the Economic Development Committee in the Foreword to the Statement of Accounts be brought to the Committee to explain why the budget was increased, but the extra funding was not spent?

2.1 The figures given in the Statement of Accounts were:

Original Budget £1.234m

Revised Budget £1.842m

Outturn £0.97m

The outturn report presented to the Economic Development Committee explains the reasons for the variance and is attached at Appendix A.

2.2 An accounting entry required to show an impairment in the value of the Business Innovation Centre led to the budget being increased to match the value of the impairment. This is done to ensure that it doesn't show as an overspend and skew the outturn position. However, planning and car parking income, plus income from the lorry park and other properties was greatly over-achieved, meaning that the majority of the budget increase was not necessary.

3.0 Can details regarding the recommended improvements in the Palace Theatre and Contract Management Internal Audit reports be brought back to the Committee?

3.1 Extracts from each of the reports showing the Executive Summaries are attached at Appendix B. Information on the implementation of the recommendations is shown in the Internal Audit Progress report elsewhere on the agenda.

4.0 Is there any written guidance or practice regarding reporting fraud activity to the Committee?

4.1 Counter-fraud activity reports are brought to the Committee on a bi-annual basis. This was implemented in 2013/14 on the basis of a recommendation from Internal Audit to ensure that the Council complied with good practice outlined in "Fighting Fraud Locally: The Local Government Fraud Strategy" which was developed by local government for local government. This is a direct quote from the strategy: "The Audit Committee or relevant Committee should receive regular reports on the levels of detected fraud in the authority, along with regular updates on all aspects of anti-fraud arrangements and outcomes. The Committee must be satisfied that fraud risks have been mitigated and that there are no significant issues before the Annual Governance Statement is signed off."

5.0 RECOMMENDATION

That Members consider the responses provided.

Background Papers

Nil

For further information contact Nicky Lovely, Business Manager - Financial Services, on extension 5317.

David Dickinson
Director - Resources

APPENDIX A

ECONOMIC DEVELOPMENT COMMITTEE **24TH JUNE 2015**

AGENDA ITEM NO. 8

GENERAL FUND BUDGET PERFORMANCE REPORT TO 31ST MARCH 2015

1.0 Purpose of Report

1.1 This report compares the General Fund Economic Development Committee net expenditure for the period ending 31st March 2015 with the profiled budget for the period.

2.0 Background Information

2.1 The Council's Constitution states that the Section 151 Officer shall present to the Policy Committee, at least twice in each financial year, budgetary control statements showing performance against the approved estimates of revenue expenditure and income. The appropriate Chief Officer will report on any major variances from planned budget performance.

2.2 It also states that budget performance monitoring information shall be provided to the appropriate Committee on a quarterly basis.

2.3 Where it appears that the amount included under any head of the approved budget is likely to be exceeded or the budgeted amount of income under any head is unlikely to be reached then budget officers are required to find savings elsewhere in their budget. In circumstances where savings cannot be identified it will be necessary to consult with the Section 151 Officer and ultimately take a report to the Policy Committee.

3.0 Proposals

3.1 The attached appendices detail performance against budget for the period to 31st March 2015 for those budgets within the remit of the Economic Development Committee. This report considers the costs of providing services rather than 'below the line' costs such as borrowing costs and interest, contributions to and from reserves, government grants and income from Council Tax and retained Non Domestic Rates.

3.2 The format of the report identifies direct expenditure, i.e. employee costs and running expenses, both of which can be controlled by the budget officer, however central recharges and capital charges, are not reported as they are largely outside their control. Income is shown separately. A significant number of transactions take place 'below the line', i.e. shown in the General Fund account rather than identified to a particular service. This is in line with the CIPFA Code of Practice and includes such things as transfers to and from reserves.

3.3 Under the Accounting Code of Practice Local Authorities are required to show capital charges for the use of their assets based on the current market value. These amounts are included within the estimates to show the true cost of delivering local services however they are reversed 'below the line' in the overall cost of services therefore not impacting on the Council Tax payer. Variations on 'capital charges' are therefore not an area for concern.

- 3.4 The introduction of International Financial Reporting Standards (IFRS) for the financial year 2010/2011 has resulted in a change in the way the Council accounts for grants received from third parties. These changes mean that income and expenditure is charged direct to the service accounts and, at the year end, any under spend is transferred to reserves and any overspend is transferred from reserves.
- 3.5 Support services (e.g. HR, Financial Services, Business Unit management – such as Leisure Centres) are charged to individual budget heads at the end of the financial year and are reported here for noting only. The direct costs of providing those services are scrutinised as part of the relevant Committee.
- 3.6 Capital charges are applied to accounts at the end of the financial year and are reversed 'below the line' so has no impact on the Council Tax payer. These are reported here for noting only.

4.0 Performance Comments

4.1 The total for direct service net expenditure shows an under spend of £785,267 against the profiled budget for the period to 31st March 2015. The detailed performance figures are shown at **Appendix A**.

4.2 Variations from the profiled budget to 31st March 2015 are itemised below:

4.2.1 Employee Costs

- Newark Growth Point has a £32k underspend due to a vacant post. It is not considered necessary to fill the permanent post. The budget has been moved to Professional Services in 2015/16 to be used on securing temporary resources to support the increased level of planning application activity around the Growth point.
- Building Control has a £45k underspend due to ongoing staff vacancies. Some posts are currently covered by staff from other authorities while posts are advertised.
- Planning Policy has had a restructure that removed a temporary post which was funded from flexible resources. This has resulted in a £15k underspend.
- Economic Growth has a £23k underspend as there were a number of vacancies which have now been filled.
- Car Parks and markets have a £28k underspend mainly due to the minimal use of agency and overtime. These are reactive budgets so affected by inclement weather, sickness etc.
- The remaining £21k is made up of small savings from temporary staff vacancies across most other services.

4.2.2 Premises Costs

- Premises costs are £61k underspent, mainly made up of small variances across many services.
- There is a £22k underspend on Rates. £13k of this is on Other Properties as we are only required to pay rates when units are unoccupied and occupancy rates have been higher than anticipated.

4.2.3 Supplies and Services

- Professional Services is £35k underspent. £15k of this is on Local Development Framework. The planned spend has been delayed but this budget is funded from a reserve and any underspend goes back into the reserve. £10k is on Growth Investment Fund. The take up of loan applications has not been as high as expected and therefore the costs for panel members and business analysts were lower than expected. This is also funded by a reserve and the unspent budget will go back to the reserve.
- Contractual Services overall are £17k underspent but this is made up of smaller amounts over several services.
- Building Control shows an underspend of £26k. This is a budget for the surplus for the fee earning service. No actuals are actually posted against the £26k budget as they are adjusted within a reserve at the year end.
- The remaining underspend on Supplies and Services is made up of small variances across many services.

4.2.4 Income

- General income includes £20k of unbudgeted income for the provision of CIL advice. This is a one off amount as the member of staff delivering this expert advice has now left the authority. The fees & charges income comes from CIL capital receipts and is £18k above target due to greater CIL receipts than anticipated from developments. Land Charges income is £19k above target as the service continues to successfully compete with external companies. However, there is a 'Deficiency for year' budget of £39k which has no actuals so shows £39k under achieved income. This is a year end adjustment within a reserve. There is £24k under achieved income on Hire Charges at the BIC. The remaining variance comprises a number of small variances across a range of budgets.
- Planning Application income exceeds the budget by £405k and is to a large part market driven. Whilst fee income is significantly up on target this is not reflective proportionately in application numbers. The greater fee is rather due to more significant applications (such as large scale residential development) and most markedly solar farms
- Building Control income is actually in line with the budget. However, a year end adjustment for deferred income backdated to 2009/10. This moves £205k of income received from 2009/10 to 2014/15 into 2015/16 as we have not provided the full service yet. This year end adjustment has not been done in previous years.
- Workshops income is £41k over achieved due to higher occupancy rates than anticipated. However, Newark BIC under achieved by £32k due to incentives given by Oxford Innovation. There is also £15k of income from non-HRA garages that was not budgeted for.
- Lorry Park income is up by £68k due to new cashless system and a significant upturn in A46 HGV use and Newark Lorry Park is increasingly seen to be the facility on the A46/A1 zone in the region. Income from Newark Car Parking is also up by £43k due to an upturn in Newark footfall following a depressed 3 year period. Plus the District Council car parks continue to offer an attractive facility to Newark visitors and after a decreased usage appear to be winning back custom from other providers in the town. Mount Street car park income is up by £11k. There is also £62k of unbudgeted income for fines. This is collected by Nottinghamshire Central Unit on the Districts behalf. We cannot budget for this as it contravenes budget regulations

4.3 The underspent expenditure budgets and over achieved income budgets will be reviewed as part of the budget process for 2016-17 and future years. If it is considered that ongoing savings can be achieved these will be removed for the 2015-16 budget to a central reserve and reflected in future years budgets.

5.0 **RECOMMENDATION**

That the overall position of the Economic Development Committee net expenditure compared to budget at 31st March 2015 be accepted.

Reason for Recommendation

To advise Members of the current net expenditure compared to service budgets for the period ending 31st March 2015.

Background Papers

Nil

For further information please contact Tara Beesley on Ext 5328 or Jenna Norton on Ext 5327

David Dickinson
Director - Resources

APPENDIX B

Extract from the Internal Audit report on the Palace Theatre:

Executive Summary

Assurance Opinion – Some Improvement Needed.

We found that improvements need to be made in the following areas:-

- Improvements in the security of cash pending return to the safe will reduce the risk of theft;
- Updating the cash sheets to show receipt of floats and signatories will improve accountability and assurance over cash collection;
- Providing clearer guidance in respect of reporting cash variances to management and ensuring that staff record information accurately will ensure all employees report any “significant” variances and limit the possibility of creating errors;
- The reconciliation of the sale and redemption of theatre tokens to information received from the supplier; will ensure that the supplier information is accurate;
- Completion of booking forms, issuing of terms and conditions for all room hires and improvements to the current system for invoicing and income collection will ensure that all income is received;
- Increasing the frequency of claims for petty cash submissions will ensure compliance with financial procedures and more evenly resource administration.

It is also important that all information relating to shows are kept together to ensure that all staff are aware of what has been agreed.

Extract from the Internal Audit report on Contract Management:

Executive Summary

Assurance Opinion – Some Improvement Needed.

Procurement

- Amalgamation of individual spend should be Identified and taken forward so that one procurement exercise can be undertaken saving staff resources and supplier input resulting in reduced prices
- Issue guidance to remind contract officers of the records to be kept for the steps prior to procurement and completion of requests for quotation & receipt and award of work based on quotations received
- As part of the review of Contract Procedure Rules scheduled for May 2016 the Council should consider competition limits for procurements below EU thresholds and recording requirements that could be streamlined.

Disposal of Kelham Hall

Current Actions

- Complete a departure plan identifying risks and options to support satisfactory completion of the sale
- Review and value fixtures and fittings to be transferred to the purchaser at completion to ensure transparency

- There is a significant amount of information held across the Council. Reviewing the current information relating to the sale so far and forming a centralised sale record will improve access

Future Disposals

- At the start of the disposal process develop a formal sale strategy and process to inform officers and consultants of the Council's expectations and probity required in delivering the disposal
- Consider more than one valuation to support the guide price
- Ensure appointed agents have a clear brief and contract to make sure they deliver what the Council requires and the conduct expected

WORK PLAN

Meeting at which action to be undertaken	Subject and Brief Description	Who will present the report	Intended Outcome
9 th September 2015	External Audit Annual Governance Report	John Cornett/Helen Brookes	To gain assurance that the Council's Statement of Accounts are a true and fair representation of the Council's financial performance for the previous financial year and financial standing as at the Balance Sheet date, and that the Council has effective arrangements for achieving Value for Money
	Statement of Accounts & Annual Governance Statement	David Dickinson / Nicola Pickavance	Gain assurance on the integrity of financial reporting By considering the assurance gained through its activities throughout the previous year, to give assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that future risks are identified, and that arrangements in place support the achievement of the Council's objectives
	Internal Audit Progress Report	Lucy Pledge/John Sketchley (Audit Lincs)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Anti-Fraud & Corruption Strategy and Guidance for Dealing with Irregularities		
	Fraud Risk Register	Nicky Lovely	Gain assurance that the Council understands its fraud risks and that actions are in place to address them.
	Anti-Money Laundering Policy	David Dickinson	Gain assurance that the Council has appropriate arrangements in place to deal

			with any attempts at money laundering
	Conclusions from Knowledge and Skills questionnaire	Nicky Lovely	Ensure that any training requirements of Committee members are met
	Responses to questions raised at previous meeting	Nicky Lovely	
	Audit Committee Work Programme	David Dickinson	
4th November 2015	Treasury management training session	Arlingclose	Ensure that the Committee has the appropriate skills to be able to review the Council's Treasury Management Strategy and performance reports
4th November 2015	Treasury Performance half-yearly report	Tara Beesley	Gain assurance that treasury management activities are in line with the current Treasury Management Strategy
	Internal Audit Progress Report	Lucy Pledge/John Sketchley (Audit Lincs)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Statement of Accounts Deadline Changes	David Dickinson/Nicky Lovely	Ensure members are aware of changes to legislation that will impact on the Committee meeting cycle
	Annual Audit Letter	John Cornett/Helen Brookes (KPMG)	Gain assurance on the Council's Statement of Accounts and arrangements for achieving Value for Money
	Counter-Fraud Activity Report	Nicky Lovely	Gain assurance that counter-fraud activity is appropriately targeted and effective
	The Council's arrangements for : Upholding ethical standards Whistleblowing Meeting the requirements of CIPFA's Statement on the Role of the Chief Financial Officer	Nicky Lovely	Ensure that the Committee has the appropriate skills to carry out its remit
	Initiating the Annual Review of the Effectiveness of the Internal Audit Function	David Dickinson/Nicky Lovely	To consider whether the Internal Audit function is operating effectively and produce an action plan to address any required improvements
	Responses to questions raised at previous meeting	Nicky Lovely	

	Audit Committee Work Programme	David Dickinson	
10th February 2016	Treasury Performance	Tara Beesley	Gain assurance that treasury management activities are in line with the current Treasury Management Strategy
	Draft Treasury Strategy	Tara Beesley	Gain assurance that risks in relation to the Council's treasury management activities are to be managed in accordance with need and the Council's risk appetite
	Internal Audit Progress Report	Lucy Pledge/John Scott (Audit Lincs)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Combined Assurance Report	Lucy Pledge/John Scott (Audit Lincs)	Understand the level of assurance for critical systems, due diligence activities, key risks and projects
	Draft Annual Internal Audit Plan 2016/17	Lucy Pledge/John Scott (Audit Lincs)	Ensure that an appropriate plan is in place which will provide assurance on the Council's activities
	Results of the Review of the Assessment of Effectiveness of the Internal Audit Function	Nicky Lovely	Gain assurance that the Internal Audit function is operating effectively and that an action plan is in place to address any required improvements
	External Audit Certification of Claims & Returns	John Cornett (KPMG)	Gain assurance that claims and returns are managed appropriately
	Review of significant internal control issues highlighted in the Annual Governance Statement	David Dickinson	Gain assurance that the Council is making progress on any governance issues that were raised in the AGS
	Risk Management report	Lisa Lancaster	Gain assurance that appropriate risk management arrangements are in place
	Strategic Risk Register	Lisa Lancaster	Gain assurance that the Council considers its strategic risks and that these are being managed effectively
	Responses to questions raised at previous meeting	Nicky Lovely	

	Audit Committee Work Programme	David Dickinson	
27th April 2016	Statement of Accounting Policies	Nicola Pickavance	Gain assurance that the Council has appropriate accounting policies in place that reflect the way items are treated in the annual Statement of Accounts
	IAS19 Pension Assumptions	Nicola Pickavance	Gain assurance that the pension assumptions used by the actuary to produce the figures in the Statement of Accounts are appropriate for the Council's circumstances
	External Audit Plan for 2015/16 Accounts and VFM Conclusion	John Cornett/Helen Brookes (KPMG)	Ensure that an appropriate plan is in place which will provide assurance on the Council's Statement of Accounts and arrangements to achieve Value for Money
	Counter-Fraud Activity Report	Nicky Lovely	Gain assurance that counter-fraud activity is appropriately targeted and effective
	Responses to questions raised at previous meeting:	Nicky Lovely	
	Audit Committee Work Programme	David Dickinson	