

Audit and Standards Committee

16 July 2019



Time and venue:

10.00am in the Ditchling Room, Southover House, Lewes, East Sussex, BN7 1AB

Membership:

Councillor Stephen Gauntlett (Chair); Councillors Julian Peterson (Vice-Chair)
Christine Brett, Roy Burman, Roy Clay, Adrian Ross and Ian White

Quorum: 4

Published: Monday, 8 July 2019

Agenda

1 Minutes (Pages 5 - 12)

To confirm and sign the minutes of the previous meeting held on 18 March 2019 (attached herewith).

2 Apologies for absence/declaration of substitute members

3 Declarations of interest

Disclosure by councillors of personal interests in matters on the agenda, the nature of any interest and whether the councillor regards the interest as prejudicial under the terms of the Code of Conduct.

4 Urgent items

Items not on the agenda which the Chair of the meeting is of the opinion should be considered as a matter of urgency by reason of special circumstances as defined in Section 100B(4)(b) of the Local Government Act 1972.

5 Written questions from councillors

To deal with written questions from councillors pursuant to Council Procedure Rule 12.3 (page D8 of the Constitution).

6 Independent review of New Homes Project (Pages 13 - 22)

Report of Chief Executive

7 Peacehaven Town Council Code of Conduct - update (Pages 23 - 26)

Report of Lewes District's Monitoring Officer

8 Proposed amendments to Lewes District Council's Code of Conduct for Members (Pages 27 - 52)

Report of Lewes District's Monitoring Officer

9 Financial Procedure Rules (Pages 53 - 98)

Report of Chief Finance Officer

10 Treasury Management

Report of Chief Finance Officer

11 Strategic Risk Register quarterly review (Pages 99 - 110)

Report of Chief Internal Auditor

12 Annual Governance Statement (Pages 111 - 138)

Report of Chief Internal Auditor

13 Annual report on the Council's Systems of Internal Control 2018/19
(Pages 139 - 148)

Report of Chief Internal Auditor

14 Date of next meeting

To note that the next meeting of the Audit and Standards Committee is scheduled to be held on Monday, 23 September 2019 in the Ditchling Room, Southover House, Southover Road, Lewes, BN7 1AB, commencing at 10:00am.

Information for the public

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Public participation: Please contact Democratic Services (see end of agenda) for the relevant deadlines for registering to speak on a matter which is listed on the agenda if applicable.

Information for councillors

Disclosure of interests: Members should declare their interest in a matter at the beginning of the meeting.

In the case of a disclosable pecuniary interest (DPI), if the interest is not registered (nor the subject of a pending notification) details of the nature of the interest must be reported to the meeting by the member and subsequently notified in writing to the Monitoring Officer within 28 days.

If a member has a DPI or other prejudicial interest he/she must leave the room when the matter is being considered (unless he/she has obtained a dispensation).

Councillor right of address: A member of the Council may ask the Leader, a Cabinet Member or the Chair of a committee or sub-committee any question without notice upon an item of the report of the Cabinet or a committee or subcommittee when that item is being received or under consideration by the Council.

A member of the Council may ask the Chair of a committee or sub-committee a question on any matter in relation to which the Council has powers or duties or which affect the District and which falls within the terms of reference of that committee or subcommittee.

A member must give notice of the question to the Head of Democratic Services in writing or by electronic mail no later than close of business on the fourth working day before the meeting at which the question is to be asked.

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Audit and Standards Committee

Minutes of meeting held in Ditchling Room - Southover House, Lewes on 18 March 2019 at 10.00 am

Present:

Councillor Mike Chartier (Chair)

Councillors Stephen Catlin, Johnny Denis, Nigel Enever, Stephen Gauntlett and Julian Peterson.

Officers in attendance:

Catherine Knight (Assistant Director of Legal and Democratic Services), David Heath (Head of Audit and Counter Fraud), Brian Mew (Interim Deputy Chief Finance Officer), Jackie Humphrey (Internal Audit Manager), Sarah Lawrence (Senior Committee Officer) and Ben Sheriff (External Auditor - Deloitte).

46 Minute's Silence

The Committee held a minute's silence in honour of those who had lost their lives in the shooting in Christchurch, New Zealand on 15 March 2019.

47 Minutes

The minutes of the meeting held on 21 January 2019 were submitted and approved, and the Chair was authorised to sign them as a correct record.

48 Apologies for absence / declaration of substitute member

Apologies were received from Councillor Loraine.

49 Declarations of interest

There were none.

50 Urgent items

There were none.

51 Written questions from councillors

There were none.

52 Peacehaven Town Council update

The Committee received the report of the Council's Monitoring Officer setting out the actions taken by Peacehaven Town Council as a consequence of recommendations made to it by this Committee on 19 November 2018. It was appreciated that this Committee could only recommend and not require changes.

The Monitoring Officer advised that Peacehaven Council had put together a handbook which was a good start in making clearer the different roles and responsibilities of Town Councillors and officers. However, the Town Council had not progressed further on the other recommendations, such as appointing an external person with the relevant professional skills to review the Town Council's procedures and the Code of Conduct. It was understood that an offer had been made by Sussex Association of Local Councils (SALC) for support.

The Committee welcomed the progress to date, but also expressed its disappointment that Peacehaven Council had not appointed an external consultant or progressed further on the recommendations. However, it was recognised that this could be a resource issue, both in terms of costs and staff time. In addition it was hoped that the upcoming elections would be an opportunity for a fresh approach. It was commented that the list of recommendations set out in the report were a good checklist for any parish or town council to ensure its governance arrangements were in order.

The Monitoring Officer suggested that she write to the Acting Town Clerk to encourage the Council to take the additional steps as set out in the report, with a further progress report back to this Committee in 6 months' time, to give time for further actions to take place after the May elections.

Resolved –

1. To note the update report.
2. To recognise that Peacehaven Town Council is currently experiencing staffing vacancies.
3. That the Monitoring Officer be requested to write to the Acting Town Clerk to encourage the Town Council to take up the offer of external support to the Council and to progress on recommendations made to it by this Committee on 19 November 2018, and bring a further update to this Committee in due course.

53 Climate Change and Investment

The Interim Deputy Chief Finance Officer presented a report setting out a response to the motion on Climate Change and Investment. This was referred to the Committee by Full Council in November 2018, so that the Committee could study the detail and implications of the recommendations in

the motion and consider any further action the Council might reasonably take, and submit its findings back to Full Council.

The Interim Deputy Chief Finance Officer advised that the report was structured in three sections to respond to the different paragraphs of the motion.

Firstly, in relation to the Council's own investments, it was confirmed that at the Council did not invest directly in equities or certificates of deposits that were not issued by banks or building societies, and did not have any investments in fossil fuel companies. The only area where there was a potential for this type of investment was in the two money market funds used by the Council to diversify risks as an alternative to cash. The Committee was satisfied that this was a very small investment percentage at present, and at the time of writing none of the investments were in fossil fuels, although the funds did not preclude this type of investment.

Secondly, the Committee was advised that in relation to the Council's projects that all projects delivered through Clear Sustainable were subject to achieving sustainable targets, in accordance with a strategy agreed by Cabinet. In addition, capital development schemes had a focus on creating spaces that were sustainable for communities and not reliant on carbon fuel.

Finally, in relation to the investments of the East Sussex Pensions Fund Committee, a full response had been received from East Sussex County Council confirming that the primary duty of the fund was to secure the best realistic return over the long-term, whilst at the same time keeping employer contributions as low as possible. In addition, it considered that restricting the fund to specific investment types would deny the opportunity for the Fund to influence companies' environmental, human rights and other policies by positive use of shareholder power. However, the Pensions Committee had reserved the right to apply ethical or environmental criteria to investments where relevant and appropriate on a case by case basis. In addition, in relation to impact of climate change, the Committee had commissioned a measurement service to provide data on the levels of carbon emissions and exposure to fossil fuel assets across the Fund's range of equity investments, to inform its future decisions.

Councillors noted that the response received from the Pensions Committee was as comprehensive might have been received if writing as a result of the motion, and that the implications of climate change were being considered in its investment strategy.

Members were satisfied with the information provided in relation to the report on the steps that the Council was itself taking at this time. However, it was requested that this Committee receive regular updates on these considerations as part of its treasury management oversight. The Committee would then be able to make recommendations to Cabinet, as and when

required, on any changes which might be required to take account of ethical and climate change implications of investment decisions.

Resolved –

- 1) To report to the next Full Council on the outcome of the Committee's consideration of the motion on Climate Change and Investment.
- 2) That as part of its treasury management monitoring, the Audit and Standards Committee receive a regular update on the implications of the Council's investments on climate change, and make recommendations to Cabinet on these matters as and when required.

54 Annual Audit Letter 2017/18

The Committee received the annual audit letter for the year ended 31 March 2018, from the Council's former external auditors BDO. Janine Combrinck (BDO) had sent apologies to the meeting. The Head of Audit and Counter Fraud advised that the publication of the audit letter was later than expected due to a delay in a completion of the audit for 2017/18. However, the summary of the audit opinion as at 16 January 2019 included:

- An unmodified opinion on the financial statements.
- One material presentational misstatement in the notes to the financial statements, which had been corrected in the final financial statements.
- An unmodified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.
- Confirmation that the Council had appropriate arrangements to continue to remain financially sustainable over the period of the Medium Term Financial Strategy (MTFS).

The Head of Audit and Counter Fraud advised that it was a requirement that the audit letter was published on the Council's website following this meeting.

Members commented that the delay had been in part because the Committee had not felt it had sufficient time to comment and question the audit findings last year, and hoped that this would be addressed in the timetable for this year's audit.

Resolved -

1. To note the annual audit letter for the year ended 31 March 2018.
2. That thanks be sent to Janine Combrinck of BDO for her work as the Council's External Auditor over the last few years.

55 Interim report on the Council's Systems of Internal Control 2018/19

The Head of Audit and Counter Fraud presented the report, and confirmed that for the first eleven months of 2018/19 the overall standards of internal control in the Council were generally satisfactory, based on the work of

Internal Audit, the internal assurance framework, external reviews, and the Council's work on risk management.

The Head of Audit and Counter Fraud advised that:

- As part of the Joint Transformation Programme stage 3 completed in February 2019, he would be retiring and Jackie Humphrey had been appointed to a new post of Chief Internal Auditor. The Committee thanked David Heath for his help, support and professionalism over many years.
- In total, 619 audit days have been undertaken compared to 617 days planned in the first 11 months of the year, and it was anticipated that the number of audit days would be on target by the end of the financial year.
- The housing benefit subsidy work was ongoing for the year 2017/18 and this would be audited by the outgoing external auditors, BDO.
- Arun District Council had carried out the Council's peer review.
- As part of its involvement with the National Fraud Initiative the Council had submitted its data for matching, and 1,654 potential matches had been identified to check for fraud. These were being checked in priority order.
- The work of the counter fraud team continued at pace with 6 Council properties having been returned to stock this year. The team was looking to widen its focus to other areas including right to buy applications.
- The risk register was regularly reviewed at this Committee and at Corporate Management Team.
- Deloitte had been appointed as part of the Council's new external auditors and the Committee welcomed Ben Sheriff to the meeting.

The Committee welcomed the report. A question was asked as to why the East Sussex Counter Fraud Hub was being wound down. The Head of Audit and Counter Fraud advised that the new systems had been put in place and officers trained up as a result of the hub, but it was felt that money could now be best spend embedding these activities in each authority, although dialogue between East Sussex officers would continue.

A request was made that the next Committee in the new municipal year, received a flowchart of the decision making structures for both Lewes and Eastbourne Councils to assist the Committee in its work.

Resolved – To note that the overall standards of internal control were generally satisfactory during the first eleven months of 2018/19 (as shown in section 2 of the agenda report).

56 Audit and Counter Fraud Annual Plan 2019/20

The Head of Internal Audit and Counter Fraud presented that Annual Plan for 2019/20 for approval. It was highlighted that for the first time this was a fully integrated plan covering audit and counter fraud activity across both Eastbourne Borough Council and Lewes District Council. Appendix A to the report set out where audits would be specific to one or other authorities or

conducted jointly. It was confirmed that in the past the Committee had approved a 3 year plan, but this had not been possible due to changes in the Council as part of the joint transformation programme, but it was hoped to move back to a 3 year strategic plan in the near future. The plan had been presented to the Eastbourne Audit and Governance Committee on 6 March and approved.

In response to Councillors' questions it was confirmed that although the audit for cash and banking was listed as a joint audit, the financial arrangements and banking for each authority remained separate. In addition, it was agreed that Appendix 1 would be corrected so that the audit of 'theatres' applied only in Eastbourne Borough Council. A question was asked as to the risk rating against 'stage door' as this was listed as 'request'. It was confirmed that this was because the service had requested an audit this year, but that it would have been prioritised for an audit this year regardless due to the changes taking place in the service.

Resolved - To agree the Annual Plan for 2019/20 (as shown at Appendix 1 to the report) subject to the correction that the 'theatres' audit related solely to Eastbourne Borough Council.

57 Treasury Management

The Committee received the report presenting details of recent Treasury Management activity from 1 January to 28 February 2019, which was in accordance with the approved Treasury Strategy. The Committee noted that key investments including use of fixed term deposits and money market funds. It was highlighted that the Council currently had only one loan to a Council-owned company which was £10k to Aspiration Homes Ltd.

The Acting Deputy Chief Finance Officer advised that there was understandably a level of volatility in the economic position at the moment, but the Council's treasury advisors Arlingclose had not recommended any changes to the strategy at this stage.

Resolved – To confirm to Cabinet that Treasury Management activity from 1 January to 28 February 2019 has been in accordance with the approved Treasury Strategy for the period.

58 Planning report for the year ending 31 March 2019

Ben Sheriff of Deloitte, the Council's External Auditors, attended the meeting to present the planning report for the year ending 31 March 2019. It was confirmed that this report was in its final form, subject to approval by the Committee.

He advised that there had been a good handover with the previous external auditors, BDO, and discussions had taken place with the finance team to plan the audit. He explained the key elements of the external auditors work including setting the materiality level (2% of gross expenditure), and

considering key areas of operation of the Council including expenditure and financial systems, value for money, accounting of property and assets, management override control, pension liability, accounting for commercial activities and implementation of new international financial reporting standards.

In response to a question it was confirmed that the reporting level for the external audit was £90k for the majority of systems, which was the materiality level, and was calculated on the basis of 2% of gross expenditure.

Resolved –

1. To welcome Ben Sheriff and thank him for his report.
2. To approve the External Auditor's planning report for the year ending 31 March 2019.

59 Date of next meeting

Resolved – To note that the next meeting of the Audit and Standards Committee is schedule to be held on Tuesday 16 July 2019 at 10 am in the Ditchling Room, Southover House.

60 Thanks to Officers and Members

The Chair offered his thanks to all the officers and members for their support over the last 4 years and for making it a successful and challenging Committee.

Finally, the Chair joined with other members of the Committee in offering his thanks to David Heath, Head of Audit and Counter Fraud for his professionalism, commitment and knowledge in assisting the Committee over many years and wished him happiness in his retirement.

The meeting ended at 11.11 am

Councillor Mike Chartier (Chair)

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Agenda Item 6

Report to:	Audit and Standards Committee
Date:	16 July 2019
Title:	Independent Review of New Homes Project
Report of:	Chief Executive
Ward(s):	All
Purpose of report:	To present the Committee with an independent report on the Council's management of the New Homes Project, including, but not limited to, the handling of litigation following termination of the project in February 2016.
Officer recommendations:	(1) To note the report and those measures implemented following conclusion of the New Homes project. (2) To approve the recommendations set out in paragraphs 22, 30 and 31 of the report at Appendix 1.
Reasons for recommendations:	To note and endorse project management improvements already put in place and to approve further recommendations to assist best practice.
Contact Officer(s):	Name: Robert Cottrill Post title: Chief Executive E-mail: robert.cottrill@lewes.gov.uk Telephone number: 01323 415002

1 Introduction

- 1.1 In July 2015 the Council entered into development agreements with Karis Developments, its subsidiary, and Southern Housing Group Ltd. The agreements anticipated the building of housing (private and affordable) on a significant number of council-owned sites.
- 1.2 In February 2016 the Council, being satisfied that the project was not sufficiently commercially viable, terminated the development agreements.
- 1.3 In March 2017 Karis issued court proceedings against the Council. Karis subsequently instigated proceedings against 3 councillors in their individual capacities. All claims were robustly defended by the Council and following the exchange of witness statement evidence Karis withdrew all its claims and the litigation came to an end in March 2019.
- 1.4 The contract award to Karis in 2015 and the period leading up to termination of the project in February 2016 have already been the subject of investigation and

public report, both by the Council's then external auditors BDO and by a cross-party Working Group of members, which group was chaired by one of the Council's two Independent Persons.

1.5 The period of activity between termination of the project in February 2016 and the withdrawal of Karis' claims in March 2019, including the way in which the Council conducted the litigation, has not been the subject of scrutiny or independent investigation.

1.6 In order to provide a review of the entire span of the project Sandra Prail was commissioned:-
"to provide an independent strategic overview of the way in which the Council handled the New Homes Project property development scheme with Karis Developments Ltd (and its subsidiary). Such overview will focus in the main, although not exclusively, on the period following the contract award including, but not limited to commentary on the handling of litigation, communications with and support to members and generally lessons to be learned to inform future ways of working".

Ms Prail is a former Chief Officer, solicitor and Monitoring Officer in local government, senior manager at the Audit Commission and now manages a consultancy portfolio.

1.7 Ms Prail was provided with a volume of documentation, including the BDO report and the cross-party Working Group's report. She was invited to comment on the findings of these two reviews and to add to them and/or reinforce them. Her report, which she will present to the Committee, is at Appendix 1.

2 Financial appraisal

In the interests of providing a strategic overview of the lifetime of this significant abortive project, and in the interests of identifying how the Council can improve its working practices to ensure no recurrence, Ms Prail has been requested to provide a strategic overview report at an estimated cost of £4,500.

3 Risk management implications

None arising from this report.

4 Equality analysis

None arising from this report.

5 Appendices

- Appendix 1 – Report by Sandra Prail to be presented at this meeting.

Strategic Review of New Homes Project Lewes District Council

Sandra Prail

1 July 2019

Background

1. I have been commissioned by Lewes District Council to provide an independent strategic overview of the way in which Lewes District Council handled the New Homes Project, a property development scheme with Karis Developments Ltd (and its subsidiary). My brief was to focus in the main, although not exclusively, on the period following its contract award including, but not limited to, commentary on the handling of litigation, communications with and support to members and generally lessons learnt to inform future ways of working.
2. In undertaking this review I have examined documents provided by the Council (listed in Appendix A) and I met with the former Leader of the Council (Andy Smith), Assistant Director Legal & Democratic Services (Catherine Knight) and current Chief Executive (Rob Cottrill).
3. This report is structured to provide a summary chronology of main events before setting out my findings on the issues raised in my brief.

Summary Chronology of Events

Pre Contract award

4. Lewes District Council (the Council) identified an opportunity to raise funds to allow the Council to build in excess of 150 Council homes across the District and to bring regenerative benefits to local sites. The intention was to gain residential planning permission on a range of sites and to sell the highest value sites to Southern Housing Group (SHG) for private market housing and other sites on the open market for private market housing. The capital receipt would allow the Council to build affordable Council homes on a third group of sites which the Council would retain.
5. In May 2012 the Cabinet authorised the tender for a private sector partner to assist in the disposal and /or development of a portfolio of Council owned sites. An EU negotiated tender procedure followed. In September 2014 Cabinet considered Heads of Terms and authorised the Chief Executive in consultation with the Leader of the Council and Leader of the Opposition Group to conclude negotiations and award the contract.
6. A Conditional Sale Agreement (the Agreement) was signed by the Council, SHG and Karis Development Ltd (Karis) on 30 July 2015. The Agreement defines Buckle and Normansal as key sites because they were expected to yield the highest capital receipts. There was a clear acknowledgement between the parties that the commercial viability of the project was dependent on these 2 key sites. The Agreement included a Ground Condition clause (providing for confirmation from each party that ground conditions at each of the properties is acceptable) and a Title Condition and Vacant Possession Condition (providing for confirmation from each party that the title condition has been satisfied in relation to properties the subject of the Agreement). The parties agreed that they would each serve written notice on the other within 5 months of the date of the Agreement confirming whether or not the Ground Condition and Title Condition had been satisfied. In the event the Ground Condition or Title Condition was not satisfied the Agreement provided for the service of notice to terminate the Agreement in relation to the relevant property or in the case of both key sites to terminate the Agreement.

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Post contract award

7. Due diligence revealed a number of concerns about the sites including that the Buckle site, intended for the construction of an apartment block, was the subject of a restrictive covenant allowing only the construction of single storey dwellings (in order to preserve views). Although the existence of a restrictive covenant not to use the Normansal site other than as an area of public open space or public recreation and not to erect any buildings without consent was known to the parties before the Agreement was signed further checks revealed more beneficiaries of the covenant than expected and a second covenant.
8. In December 2016 the Council served notice under the Agreement that the Title and Ground Conditions on the two key sites had not been satisfied. Subsequently, the Cabinet in February 2016 authorised the service of notice of termination and notice was served on 3 March 2016 .
9. Karis responded by seeking compensation for alleged bad faith by the Council in terminating the Agreement. They brought a claim against the Council for £11.6 million initially alleging wrongful breach of contract and subsequently amending this to include an additional claim of misfeasance in public office on the part of the then Leader, Chief Executive and Assistant Director- Legal & Democratic Services. The claims were refuted by the Council. Cabinet at its meeting on 11 February 2019 agreed to ensure that individual members and officers were indemnified against any personal liability and legal costs which may be incurred during and/or following litigation proceedings in connection with Karis.
10. Legal proceedings were protracted including third party applications against three individual councillors and Eastbourne Borough Council. A number of procedural interim challenges by Karis were not successful. Following an exchange of evidence and the setting of a trial date for April 2019 Karis eventually withdrew its claims in full. In March 2019 Cabinet agreed the discontinuance of the litigation on the basis that the Council make no payment whatsoever to Karis, that Karis withdraws its misfeasance allegations and does not repeat them, that the project agreements are treated as lawfully terminated and the Council to bear its own costs of the proceedings.
11. The Council incurred preliminary costs of approximately £600k associated with the development of sites included within the project and legal fees of approximately £300k.

Scrutiny of Events

12. The Council has subjected itself to internal and external scrutiny of the way it handled the project. The objective of these exercises has been to learn lessons and to do so in an openly transparent way. Scrutiny to date has focussed on how the Council came to award the contract to the Karis consortium and how the project was subsequently managed.
13. BDO the external auditors for Lewes DC considered the New Homes Project as part of its use of resources audit work. It reviewed the Council's governance and decision making processes and was satisfied that the Council had followed its own internal processes in making decisions about the project and legal advice had been sought on key decisions made. It recommended good practice by earlier disclosure of potential development sites, public consultation in preliminary stages, updating the Property Strategy and Asset Management Plan and a more structured approach to carrying out due diligence. The report was presented to the Council's Audit and Standards Committee and Cabinet.
14. In December 2015 Cabinet approved the setting up of an all-party Working Party (chaired by an independent person) to look into the way that negotiations were conducted with regard to the Agreement. Its aims were to identify aspects of the project that went well and those that might have

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been handled differently to identify lessons learnt. It made a suite of recommendations. The recommendations were grouped into the following themes – site selection, officer briefings to members, Group Leader role, scale and achievability of major projects, project governance, consultation, management of partners. Cabinet authorised the Chief Executive to produce an action plan in response to these recommendations (and those of the external auditor). This plan includes actions such as developing a new project management toolkit and updating the Asset Management Plan. I understand that all of these actions have been completed.

15. My review continues this open approach to transparent learning by pulling together the threads of earlier reviews and completing an independent consideration of events after the contract award.

Findings

Handling of litigation

16. From the documentary evidence that I have seen I am satisfied that legal advice was taken to inform all key decision making. For example, advice was taken on:

- the title difficulties identified on Buckle and Normansal, including the potential for lifting the restrictions;
- the service of the Ground and Title Condition notice;
- service of the termination notice;
- Cabinet reports;
- Karis's response to the notice of termination and drafting of the Council's response;
- Early Neutral Evaluation;
- general handling and tactics of litigation;
- settlement.

17. The Council's in house legal team instructed specialist external advisers and sought advice at each and every stage and I find the quality of the instructions that I have read to be professional and timely with a constant focus on minimising litigation costs. External legal advisers consistently advised that there was very little merit in Karis's claim for damages but the protracted correspondence and litigation was time consuming and inevitably costly.

18. I find the handling of the litigation to be professional and evidence based. The measured tone of correspondence stands in marked contrast to the more aggressive stance of Karis lawyers at times. The Council did not allow itself to be drawn into legal proceedings without a thorough assessment of risk and tactics. My documentary review revealed extreme pressure upon legal staff over a lengthy period (not least as the Assistant Director Legal and Democratic Services was the subject of a misfeasance claim) but this does not appear to have influenced decision making or the high standard of professional conduct.

Communication with and support to members

19. The documents I reviewed included internal correspondence between Councillors and officers after the signing of the Agreement. It is inevitably difficult to keep a wide audience apprised on all issues and expectations will differ. But my conclusion on the evidence that I have seen is that officers sought to keep members informed of key issues – for example councillors were notified of receipt of the legal claim and briefings were held to appraise members of progress and press interest.

20. Third party applications were pursued against three councillors. Each consented to a search of their private email accounts/phone records. The then Leader of the Council was also under

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considerable pressure as he was the subject of a misfeasance claim (together with the Chief Executive and Assistant Director Legal and Democratic Services). From the evidence I have seen officers sought to reassure and support councillors through this difficult time and Cabinet at its meeting on 11 February 2019 agreed to ensure that individual members and officers are indemnified against personal liability and legal costs which may be incurred during and/or following litigation proceedings connected with Karis.

Use of emails

21. The documents before me show use by councillors of their private emails for Council business. There seems to be universal acceptance that this was often employed by individuals as a workaround to mitigate the problems being experienced by councillors with Council equipment and accounts. But this practice opened up an avenue of challenge for Karis and is recognised by the Council as a lesson learnt.

22. Lewes DC councillors have subsequently been issued with a lewes.gov.uk email address to use in connection with all Council business. IT equipment is offered to councillors or they can use outlook web access as an alternative from any device. Officers are satisfied that working practices have improved but this should be monitored and reinforced. Group Leaders should also ensure that members are aware of the need to use council equipment and accounts for Council business and the risks of not doing so.

Project management

23. Good project management is essential to ensure that the right people do the right things at the right time to deliver agreed goals. Following an appropriate project process throughout a project lifecycle manages risk and ensures successful delivery. Both the external auditors and the Working Group identified project management/ a more structured approach to due diligence as areas for improvement. This is a theme that I too have identified in my review.

24. The report to Cabinet that granted delegated power to enter the Agreement was I understand circulated as a late paper . It did not set out a clear description of project governance. It stated that title checks on the key sites had been carried out to check for any legal encumbrances but did not explain in detail the options for due diligence before and after entering the Agreement.

25. The report to Cabinet in February 2016 states that ‘the parties were not prepared to undertake the work and expense of carrying out ground condition surveys and detailed title investigations until such time as a binding agreement was in place’. Whilst there was a balance to be struck it seems to me the focus on early conclusion of the Agreement outweighed the need to undertake basic checks on the 2 key sites and that the benefits/risks of this approach were not comprehensively assessed or widely discussed.

26. It is positive that the Council has subsequently adopted a Project Management Toolkit. I have considered whether the application of the Toolkit would have made any difference to the events and decisions made. I consider that the New Homes project would have been defined as a corporate project (meeting more than 2 of the criteria in the Toolkit) and therefore would have required Corporate Management Team approval. This would have ensured that the three statutory officers (Head of Paid Service, Monitoring Officer and section 151 officer) were involved in decision making and provided opportunities for challenge. Applying the Toolkit Management Team would have turned its mind specifically to whether sufficient due diligence had/should be carried out. The due diligence checklist in the Toolkit identifies current restrictions on the land as an appropriate due diligence check before completing a business transaction. Whilst Management Team might have

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determined that in the circumstances the proposed Ground and Title Conditions were appropriate the issue would have been one for discussion and the risks assessed. The Council has recognised that with hindsight greater time and attention might have been given by all parties to title issues before entering into the Agreement but that was not the way the parties chose to proceed. The application of the Toolkit would have provided an opportunity to discuss whether money and time expended on preliminary work on some sites would have been better targeted on viability tests on the 2 key sites to ensure that the Agreement had a reasonable chance of success.

27. The Toolkit would also have encouraged consideration of the governance of the project. A typical Project Board has a Project Sponsor (ultimately responsible for the project deliverables and its funding) and a project manager. In this case project management moved between a number of officers in its early life and at times I understand that the former Chief Executive undertook direct control of the project. Application of the current Toolkit would have highlighted this risk . It would also have focussed minds on the need for a Plan B – ie what would happen if the 2 sites were not viable?

28. My conclusion is that the application of the current Toolkit would be likely to have made a positive difference to the management of the New Homes project and ensured consistent best practice was adopted. It is positive that lessons learnt from the scrutiny of this project has delivered an improved corporate way of working.

Delegation

29. The authorisation to sign the Agreement was delegated to the Chief Executive in consultation with the Leader/Opposition Group Leader. Legal advice confirmed the lawfulness of this delegation and I have no reason to conclude otherwise. The Working Group did not consider such a delegation to represent best practice. I agree. The breadth of the delegation gave officers a mandate to progress, negotiate and conclude the Agreement without needing to consider additional dialogue with members through formal decision making channels. The delegation presumes an appropriate communication cascade at political level but places no obligation on members to do so and leaves officers without access to whether such communication has taken place. This kind of wide delegation creates a risk that member/officer dialogue will not be commensurate with the significance of the project. It also authorises the Chief Executive to act alone without reference to the other statutory officers (the Monitoring Officer and section 151 officer) which runs the risk of undermining those roles. I am reassured by the evidence before me that the pros and cons of such a delegation would be the subject of greater debate if similar circumstances arose today.

Training

30. It is positive that the Council has an induction training programme for new Councillors and that this includes a session on the use of email and social media. Regular reinforcing of the messages from this training will be needed by Group Leaders and Officers.

31. However, the Council does not undertake a skills audit of Councillors in order to inform their personal development. This means that decision making bodies such as Cabinet might be lacking in certain skills or not maximising existing skills. I recommend that the Council considers the skills base of councillors in order to identify any training or developmental needs. A training session focussing on effective decision making (including issues of liability) would in my view help to further strengthen governance and equip members with the confidence to consider best practice in decision making and robustly challenge officer recommendations where appropriate.

Conclusion

32. My review supports the headline conclusions of previous scrutiny findings. I am positive about the constructive steps taken by the Council to address lessons learnt and the Project Management Toolkit in particular has the potential to improve consistent corporate ways of working in key areas. I would encourage the Council to keep the monitoring of improvements under review and consider the introduction of member training in effective decision making to ensure that there is robust and confident challenge of officer recommendations through good governance and best practice project management.

Appendix A Document Library

Conditional Sale Agreement relating to a portfolio of properties in and around Lewes dated 30 July 2015

Notice of non satisfaction of Ground and Title Conditions – 22 December 2015.

Legal advice concerning notice of termination, January 21 2016.

Legal advice on Cabinet report February 2016.

Notice of termination of Agreement dated 3 March 2016

Karis response to notice of termination dated 24 May 2016.

Internal correspondence with Councillors including advising of Karis response and next steps, dated 26 May 2016

Instructions (dated 27 May 2016) and legal advice on Karis's response to notice of termination

Letter to Karis dated 10 March 2017 from Bevan Britten on behalf of the Council concerning mediation and early neutral evaluation.

Various correspondence with Cubism Law (acting for Karis)

Notification of Karis's intention to pursue claim for misfeasance in public office (8 Sept 2017)

Internal correspondence with members and officers including notifying them of proceedings and preparation of statements and Council press statements

Council without prejudice save as to costs 'drop-hands' offer to settle (dated 22 December 2017)

Notification from Karis of application for non party disclosure and correspondence between Cubism and Leader

Various statement and exhibits from Court proceedings including witness statement of Catherine Knight

Reports to Cabinet including 29 September 2014, 28 September 2016, 11 February 2019, 8 March 2019

Audit and Standards Committee report 26 September 2016 including external auditor review

Working Group report and recommendations and subsequent action plan

Legal instructions and advice concerning the extent of the delegation to negotiate the Agreement

Project Management Toolkit

Asset Management Plan 2017-2020.

Report to:	Audit and Standards Committee
Date:	16 July 2019
Title:	Peacehaven Town Council Code of Conduct - Update
Report of:	Monitoring Officer
Ward(s):	All Peacehaven Wards
Purpose of report:	To receive an update from Peacehaven Town Council
Officer recommendation(s):	(1) To note the progress made by Peacehaven Town Council on matters relating to governance and the Code of Conduct. (2) That the Monitoring Officer writes to the Clerk at Peacehaven Town Council acknowledging the progress made.
Reasons for recommendations:	To comply with the request of this Committee for an update report.
Contact Officer(s):	Name: Catherine Knight Post title: Assistant Director – Legal and Democratic Services and Monitoring Officer E-mail: Catherine.knight@lewes-eastbourne.gov.uk Telephone number: 01273 085864

1 Introduction

- 1.1 In November 2018 this Committee considered a report from the Monitoring Officer as to wide ranging Code of Conduct issues at Peacehaven Town Council.
- 1.2 This Committee endorsed the Monitoring Officer's proposal that the Town Council be recommended to adopt an action plan. The Committee asked that the Town Council, through its clerk, provide updates after 3 and 6 months, assessing the progress made against the action plan.
- 1.3 The recommended action plan provided for:
 - The appointment of an external person / consultancy with the relevant professional skills to review the Town Council's processes and procedures. This should include a review of the role of the Employment Sub-Committee and how complaints senior officers should be dealt with in the future.

- The implementation of an explicit, pragmatic and rational Scheme of Delegation that also sets out how any breaches of this should be dealt with appropriately and expeditiously. A good Scheme of Delegation will facilitate more efficient processes for conducting council business, will improve openness and accountability and will streamline decision-making and action for the benefit of residents.
- The training / mentoring of officers and councillors to identify and rectify any weakness in their understanding of the Town Council's procedures and the Code. The Town Council might want to take the opportunity to review their current Code as in my view a Code that consists solely of the Nolan principles can lack the detail necessary to assist members in understanding their responsibilities.
- Training and guidance on conflict resolution with a view to improving working relations between elected members and Town Council officers through more effective communication and improved conduct. As part of this process I would recommend that all parties work together on reviewing their Member / Officer protocol to ensure that it is fully understood, and ingrains agreed parameters.

1.4 The 3 month update received from the Town Council reported progress as follows:-

- Bespoke staff handbook produced, containing all relevant employment policies, including grievance, disciplinary, sickness and absence, performance management, recruitment, pay etc.
- Work in progress:
 - Review of Standing Orders
 - Review of Financial Regulations
 - Review of Committee Terms of Reference and Scheme of Delegation
 - Produce template for future business planning
 - Review existing policies / procedures generally
- Post-election councillor training arranged for 23 May 2019

1.5 Peacehaven's Town Clerk has now written to the Monitoring Officer with a 6 month update as follows:-

"I am pleased to report as follows;-

1. Standing Orders have been reviewed and updated, in line with the latest NALC model and were adopted by Council at its Annual Meeting in May of this year (copy attached).

2. Financial Regulations have been reviewed and updated and were adopted by Council at its Annual Meeting in May of this year (copy attached). These will be brought into line with the latest NALC model which is due to be published very soon.
3. Committee Terms of Reference have been reviewed and updated and were adopted by Council at its Annual Meeting in May of this year (copy attached).
4. At its meeting on the 28th May (copy of minutes attached – Item PF364) the Council’s Policy & Finance Committee set up Business Plan Working Party.
5. The attached schedule shows that most policies have now been reviewed and updated where necessary. This work continues and I will be looking closely to see if any additional policies are needed.”

1.6 The above shows Peacehaven Town Council to have considered carefully the outcome of the investigation into complaints made against Peacehaven town councillors which was concluded in October 2015 and to have taken note of the Monitoring Officer’s recommendation that it adopt an action plan as set out in the investigation report.

1.7 The review and update of council processes and procedures as described above, together with councillor training provides a sound basis for ongoing improvements in governance at the Town Council.

2 Financial appraisal

None arising from this report.

3 Legal implications

None arising from this report.

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Report to:	Audit and Standards Committee
Date:	16 July 2019
Title:	Proposed amendments to Lewes District Council's Code of Conduct for Members
Report of:	Monitoring Officer
Ward(s):	All
Purpose of report:	To propose amendments to the Council's Code of Conduct for Members, based on best practice issued by the Committee on Standards in Public Life (CSPL)
Officer recommendation:	That the Committee recommends to full Council the adoption of (1) the response (at Appendix 1) to CSPL's best practice recommendations; and (2) the amended Code of Conduct for Members set out in Appendix 2.
Reasons for recommendations:	To ensure the Council's Code of Conduct for Members reflects national best practice
Contact Officer(s):	Name: Oliver Dixon Post title: Deputy Monitoring Officer E-mail: oliver.dixon@lewes-eastbourne.gov.uk Telephone number: 01323 415881

1 Introduction

- 1.1 Lewes District Council's Code of Conduct for Members is the principal tool that enables the Council to meet its legal duty to promote and maintain high standards of conduct by its members.
- 1.2 Under the Localism Act 2011, local authorities are free to create their own codes of conduct so long as the content is consistent with the Seven Principles of Public Life and provides for the registration and declaration of certain types of interests. To achieve consistency, however, the Council's Code is closely aligned to the code adopted by the majority of other local authorities.
- 1.3 Despite the Localism Act freedoms, it is good practice for local authorities to follow any guidance and recommendations from The Committee on Standards in Public Life (CSPL). This is an advisory non-departmental public body sponsored by the Cabinet Office, with its chair and members are appointed by the Prime Minister. Its terms of reference are "to examine current concerns about standards of conduct of all holders of public office, including arrangements relating to financial and commercial activities, and make recommendations as to any changes in present arrangements which might be required to ensure the highest standards of propriety in public life."

- 1.4 In 2018, CSPL carried out a review of the ethical standards framework for local government, the first of its kind since the current framework came into effect in 2012.
- 1.5 CSPL considered whether there was a need for a centralised body to govern and adjudicate on standards. It concluded that whilst the consistency and independence of the system could be enhanced, there was no need to reintroduce a centralised body, and that local authorities should retain ultimate responsibility for implementing and applying the Seven Principles of Public Life in local government.
- 1.6 CSPL made a number of recommendations and identified best practice to improve ethical standards. Certain recommendations require changes to primary legislation, all subject to Parliamentary timetabling, and also to secondary legislation and the Local Government Transparency Code. However, its advice on best practice is capable of implementation without changes to legislation, and CSPL expect local authorities to adopt these at the earliest opportunity.
- 1.7 The remainder of this report focuses on CSPL's best practice, as implementation is within the Councils' own powers.

2 CSPL Best Practice Recommendations and Council Response

- 2.1 CSPL's best practice points and the Council's proposed response to each one are set out at Appendix 1. As noted there, the Councils already follow best practice on some items.

3 Amendments to the Code of Conduct

- 3.1 The proposed amendments to the Council's Code of Conduct for Members, reflecting CSPL's best practice recommendations, are set out (as marked in red) at Appendix 2.

4 Local consistency

- 4.1 The proposed amendments in Appendix 2 are consistent with the changes that East Sussex County Council have made to their own Code of Conduct for Members.
- 4.2 The Monitoring Officer intends to recommend that all town and parish councils in the Lewes district adopt the same amendments as those in Appendix 2.
- 4.3 The Monitoring Officer for Eastbourne Borough Council will be submitting a report, in the same terms as this one, to their Audit & Governance Committee, with a view to the Borough Council adopting the same amendments.
- 4.4 Aligning the codes across the county, district and town/parish councils will make it easier for dual- or triple-hatted members to apply the same standards of conduct in whatever local authority capacity they are operating.

5 Proposal

- 5.1 It is proposed that the Audit and Standards Committee recommends to full Council the adoption of (1) the response (at Appendix 1) to CSPL's best practice points; and (2) the amended Code of Conduct for Members set out in Appendix 2.
- 5.2 The Localism Act prescribes that amendments to a council's code of conduct for members may only be approved by the authority as a whole, i.e. the full Council.

6 Financial appraisal

- 6.1 Adopting the amendments set out in Appendix 2 will have no financial implications of any significance.

7 Legal implications

- 7.1 The content of this report is consistent with the Council's obligations under the statutory framework for local government ethical standards, namely part 1, chapter 7, of the Localism Act 2011.

Lawyer consulted 05.07.19

Legal ref: 008160-JOINT-OD

8 Risk management implications

- 8.1 Whilst it is not obligatory for a local authority to adopt CSPL's best practice points, failure to do so would leave the authority (a) in a less than optimum position as regards its ethical standards governance, and (b) out of kilter with other local authorities.

9 Appendices

- Appendix 1 – Proposed Council response to CSPL best practice recommendations
- Appendix 2 – Amended Code of Conduct for Members

10 Background papers

The background papers used in compiling this report were as follows:

- [Local Government Ethical Standards – A Review by the Committee on Standards in Public Life](#)

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Committee on Standards in Public Life – Best Practice Recommendations and Council Response

	Best Practice Recommendation	Council Response
1	Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.	Paragraph 3(2)(b) of the Code should be amended, and a new appendix inserted with examples of the behaviour specified. See Appendix 2 of this report for proposed changes.
2	Councils should include provision in their code of conduct requiring councillors to comply with any formal standards investigation, and prohibiting trivial or malicious allegations by councillors.	New paragraphs 1(6) and (7) should be inserted in the Code – see Appendix 2
3	Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.	An annual review will be programmed into the Audit and Standards Committee work plan. The Monitoring Officer (MO) will seek to ensure that the Code continues to be aligned to that of neighbouring authorities, for local consistency.
4	An authority's code should be readily accessible to both councillors and the public, in a prominent position on the council's website and available in council premises.	The Council already meets this recommendation.
5	Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format.	This register is already updated immediately a councillor declares a gift or hospitality. In addition, Democratic Services remind councillors every December about the need to keep the register current. Each councillor's declarations are published in an accessible format on the Council's website.

6	Councils should publish a clear and straightforward public interest test against which allegations are filtered	The Council already publishes a document explaining how it deals with code of conduct complaints, and the key factors used to decide whether the complaint will be investigated. The MO will amplify those factors to ensure they reflect the public interest.
7	Local authorities should have access to at least two Independent Persons	The Council already meets this recommendation.
8	An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the Monitoring Officer is minded to dismiss as being without merit, vexatious or trivial.	The Council's process for dealing with complaints about councillor conduct already includes this provision.
9	Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision maker and any sanction applied.	The Council already follows this recommendation, except that the view of the Independent Person has not been reported as a separate item in the decision notice. This will be included in future.
10	A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.	The Council already meets this recommendation
11	Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk, in all but exceptional circumstances.	Should the MO receive a complaint of this nature, he/she will refer it back to the town or parish council if it is not submitted by the appropriate person or body.
12	Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They	Up until now, the MO has provided this advice and support to parish or town councils when requested. She has also spoken collectively to parish councils via

	should be provided with adequate training, corporate support and resources to undertake this work.	the Surrey & Sussex Associations of Local Councils. The MO will consult SSALC over the most appropriate form of further advice and support she could offer.
13	A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the MO from a different authority to undertake the investigation.	Under the Council's arrangements for dealing with councillor misconduct, the MO already has discretion to appoint a different person (if suitably qualified), from within or outside the Council, to conduct the investigation.
14	Councils should report on separate bodies they have set up or which they own, as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principles of openness, and publish their board agendas and minutes and annual reports in an accessible place.	With effect from 2020, the annual governance statement will report on this relationship. The annual reports of the companies set up by the Councils (e.g. EHL, EHICL, LHICL) are accessible via the Councils' website.
15	Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.	The MO does, where appropriate, meet the relevant group leader to discuss a standards matter affecting one or more their members. Given the relatively low number of complaints, this is when required rather than on a regular basis.

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PART 5
CODES AND PROTOCOLS

	Page
Code of Conduct of Members of the Council (including Guidance for Members on the Code of Conduct and its interpretation)	L1
Register of Interests of Members and Co-opted Members of the Council	M1
Officers' Code of Conduct	N1
Protocol on Member/Officer Relations	O1
Protocol on Key Decisions	P1

Part 5

On their election or co-option to the Lewes District Council, members are required to sign an undertaking to comply with the authority's Code of Conduct.

The Code of Conduct, adopted by the authority on 19 July 2012 is set out below. It is made under Chapter 7 of the Localism Act 2011 and includes, as standing orders made under Chapter 7 of that Act and Schedule 12 of the Local Government Act 1972, provisions which require members to leave meetings in appropriate circumstances, while matters in which they have a personal interest are being considered.

PART 1

GENERAL PROVISIONS

1 Introduction and Interpretation

- (1) The Code applies to you as a member of the authority, when acting in that capacity.
- (2) This Code is based upon seven principles fundamental to public service, which are set out in Appendix 1. You should have regard to these principles, they will help you to comply with the Code.
- (3) If you need guidance on any matter under this Code you should seek it from the authority's monitoring officer or your own legal adviser – but it is entirely your responsibility to comply with the provisions of this Code.
- (4) It is a criminal offence to fail to notify the authority's monitoring officer of a disclosable pecuniary interest, to take part in discussions or votes at meetings, or to take a decision where you have a disclosable pecuniary interest, without reasonable excuse. It is also an offence to knowingly or recklessly provide false or misleading information to the authority's monitoring officer.
- (5) Any written allegation received by the authority that you have failed to comply with this Code will be dealt with by the authority under the arrangements which it has adopted for such purposes. If it is found that you have failed to comply with the Code, the authority has the right to have regard to this failure in deciding –
 - (a) whether to take action in relation to you, and
 - (b) what action to take.
- (6) Councillors must comply with any request regarding the provision of information in relation to a complaint that alleges a breach of the Code of Conduct, and must comply with any formal standards investigation.

(7) Councillors must not misuse the standards process by, for example, making trivial or malicious allegations against another councillor.

(68) In this Code –

“authority” means Lewes District Council

“Code” means this Code of Conduct

“co-opted member” means a person who is not a member of the authority but who –

- (a) is a member of any committee or sub-committee of the authority; or
- (b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority.

and who is entitled to vote on any question that falls to be decided at any meetings of that committee or sub-committee.

“meeting” means any meeting of

- (a) the authority;
- (b) the executive of the authority;
- (c) any of the authority’s or its executive’s committees, sub-committees, joint committees, joint sub-committees, or area committees.

“member” includes a co-opted member.

“register of members’ interests” means the authority’s register of members’ pecuniary and other interests established and maintained by the authority’s monitoring officer under section 29 of the Localism Act 2011.

2 Scope

- (1) Subject to sub-paragraphs (2) and (3), you must comply with this Code whenever you –
 - (a) conduct the business of your authority (which, in this Code, includes the business of the office to which you are elected or appointed); or
 - (b) act, claim to act or give the impression you are acting as a representative of your authority.

and references to your official capacity are construed accordingly.

- (2) this Code does not have effect in relation to your conduct other than where it is in your official capacity.
- (3) Where you act as a representative of your authority –
 - (a) on another relevant authority, you must, when acting for that other authority, comply with that other authority's code of conduct; or
 - (b) on any other body, you must, when acting for that other body, comply with your authority's code of conduct, except and insofar as it conflicts with any other lawful obligations to which that other body may be subject.

3 General Obligations

- (1) You must treat others with respect.
- (2) You must not –
 - (a) do anything which may cause your authority to breach any of its equality duties (in particular set out in the Equality Act 2010);
 - (b) bully or harass any person;

(Bullying means offensive, intimidating, malicious or insulting behaviour, or an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient.

Harassment means unwanted conduct which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for an individual.

For examples of conduct that constitute bullying or harassment, see Appendix 2.)
 - (c) intimidate or improperly influence or attempt to intimidate or improperly influence any person who is or is likely to be –
 - (i) a complainant;
 - (ii) a witness; or
 - (iii) involved in the administration of any investigation or proceedings, in relation to an allegation that a

member (including yourself) has failed to comply with his or her authority's code of conduct; or

- (d) do anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of, your authority.

4 You must not –

- (a) disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where:
 - (i) you have the consent of the person authorised to give it;
 - (ii) you are required by law to do so;
 - (iii) the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any other person; or
 - (iv) the disclosure is –
 - (a) reasonable and in the public interest; and
 - (b) made in good faith and in compliance with the reasonable requirements of the authority; or
- (b) prevent another person from gaining access to information to which that person is entitled by law.

5 You must not conduct yourself in a manner which could reasonably be regarded as bringing your office or authority into disrepute.

6 You –

- (a) must not use or attempt to use your position as a member improperly to confer on or secure for yourself or any other person, an advantage or disadvantage;
- (b) must, when using or authorising the use by others of the resources of your authority –
 - (i) act in accordance with your authority's reasonable requirements;
 - (ii) ensure that such resources are not used improperly for political purposes (including party political purposes); and

- (c) must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.
- 7**
- (1) When reaching decisions on any matter you must have regard to any relevant advice provided to you by –
 - (a) your authority’s chief finance officer; or
 - (b) your authority’s’ monitoring officer;where that officer is acting pursuant to his or her statutory duties.
 - (2) You must give reasons for all decisions in accordance with any statutory requirements and any reasonable additional requirements imposed by your authority.

Part 2

INTERESTS

8 Personal Interests

- (1) The interests described in paragraphs 8(3) and 8(5) are your personal interests and the interests in paragraph 8(5) are your pecuniary interests which are disclosable pecuniary interests as defined by section 30 of the Localism Act 2011.
- (2) If you fail to observe Parts 2 and 3 of the Code in relation to your personal interests –
 - (a) the authority may deal with the matter as mentioned in paragraph 1(5) and
 - (b) if the failure relates to a disclosable pecuniary interest, you may also become subject to criminal proceedings as mentioned in paragraph 1(4).
- (3) You have a personal interest in any business of your authority where either –
 - (a) it relates to or is likely to affect –
 - (i) any body of which you are a member or in the position of general control or management and to which you are appointed or nominated by your authority;
 - (ii) any body –
 - (a) exercising functions of a public nature;
 - (b) directed to charitable purposes; or
 - (c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union),

of which you are a member or are in a position of general control or management;
 - (iii) the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £50; or
 - (b) a decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a relevant person to a greater extent than the majority of (in the case of

authorities with electoral divisions or wards) other council tax payers, ratepayers or inhabitants of the electoral division or ward, as the case may be, affected by the decision;

- (4) In sub-paragraph (3)(b), a relevant person is –
- (a) a member of your family or a close associate; or
 - (b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
 - (c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
 - (d) any body of a type described in sub-paragraph (3)(a)(i) or (ii).
- (5) Subject to sub-paragraph (6), you have a disclosable pecuniary interest as defined by section 30 of the Localism Act 2011 in any business of your authority where (i) you or (ii) your partner (which means spouse or civil partner, a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners) has any interest within the following descriptions:

Interest	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.

Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge)— (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where— (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and (b) either— (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

These descriptions on interests are subject to the following definitions:

"body in which the relevant person has a beneficial interest" means a firm in which the relevant person is a partner, or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;

"director" includes a member of the committee of management of an industrial and provident society;

"land" includes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;

"M" means the person M referred to in section 30 of the Localism Act 2011;

"member" includes a co-opted member;

"relevant authority" means the authority of which M is a member;

"relevant period" means the period of 12 months ending with the day on which M gives a notification for the purposes of section 30(1) of the Localism Act 2011;

"relevant person" means M or any other person referred to in section 30(3)(b) of the Localism Act 2011;

"securities" means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

- (6) In sub-paragraph (5), any interest which your partner may have is only treated as your interest if you are aware that your partner has the interest.

9 Disclosure of Personal Interests (See also Part 3)

- (1) Subject to sub-paragraphs (2) to (5), where you have a personal interest in any business of your authority and you attend a meeting of your authority at which any matter relating to the business is considered, you must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.
- (2) Sub-paragraph (1) only applies where you are aware or ought reasonably to be aware of the existence of the personal interest.
- (3) Where you have a personal interest but, by virtue of paragraph 14, sensitive information relating to it is not registered in your authority's register of members' interests, you must indicate to the meeting that you have a personal interest and, if also applicable, that it is a disclosable pecuniary interest, but need not disclose the sensitive information to the meeting.
- (4) Subject to paragraph 12(1)(b), where you have a personal interest in any business of your authority and you have made an executive decision on any matter in relation to that business, you must ensure that any written statement of that decision records the existence and nature of that interest.
- (5) In this paragraph, "executive decision" is to be construed in accordance with any regulations made by the Secretary of State under section 22 of the Local Government Act 2000.

10 Prejudicial Interest Generally

- (1) Subject to sub-paragraph (2), where you have a personal interest in any business of your authority you also have a prejudicial interest in that business where either –
 - (a) the interest is a disclosable pecuniary interest as described in paragraph 8(5); or
 - (b) the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.

- (2) For the purposes of sub-paragraph (1)(b), you do not have a prejudicial interest in any business of the authority where that business –
- (a) does not affect your financial position or the financial position of a person or body described in paragraph 8;
 - (b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any person or body described in paragraph 8; or
 - (c) relates to the functions of your authority in respect of –
 - (i) housing, where you are a tenant of your authority provided that those functions do not relate particularly to your tenancy or lease;
 - (ii) school meals or school transport and travelling expenses, where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which the child attends;
 - (iii) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of, such pay;
 - (iv) an allowance, payment or indemnity given to members;
 - (v) any ceremonial honour given to members; and
 - (vi) setting council tax or a precept under the Local Government Finance Act 1992.

11 Interests Arising in Relation to Overview and Scrutiny Committees

You also have a personal interest in any business before an overview and scrutiny committee of your authority (or of a sub-committee of such a committee) where –

- (a) that business relates to a decision made (whether implemented or not) or action taken by your authority's executive or another of your authority's committees, sub-committees, joint committees or joint sub-committees; and
- (b) at the time the decision was made or action was taken, you were a member of the executive, committee, sub-committee, joint committee or joint sub-committee mentioned in paragraph (a) and you were present when that decision was made or action was taken.

12 Effect of Prejudicial Interests on Participation

- (1) Subject to sub-paragraph (2) and (3), where you have a prejudicial interest in any matter in relation to the business of your authority –
 - (a) you must not participate, or participate further, in any discussion of the matter at any meeting, or participate in any vote, or further vote, taken on the matter at the meeting and must withdraw from the room or chamber where the meeting considering the matter is being held –
 - (i) in a case where sub-paragraph (2) applies, immediately after making representations, answering questions or giving evidence;
 - (ii) in any other case, whenever it becomes apparent that the matter is being considered at that meeting;

unless you have obtained a dispensation from your authority's monitoring officer or standards committee;
 - (b) you must not exercise executive functions in relation to that matter; and
 - (c) you must not seek improperly to influence a decision about that matter.
- (2) Where you have a prejudicial interest in any business of your authority which is not a disclosable pecuniary interest as described in paragraph 8(5), you may attend a meeting (including a meeting of the overview and scrutiny committee of your authority or of a sub-committee of such a committee) but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.
- (3) Where you can have a prejudicial interest which is not a disclosable pecuniary interest as described in paragraph 8(5), arising solely from membership of any body described 8(3)(a)(i) or 8(3)(a)(ii)(a) then you do not have to withdraw from the room or chamber and may make representations to the committee but may not participate in the vote.

Part 3

REGISTRATION OF INTERESTS

13 Registration of members' interests

- (1) Subject to paragraph 14, you must, within 28 days of –
 - (a) this Code being adopted by the authority; or
 - (b) your election or appointment to office (where that is later), register in the register of members' interests details of –
 - (i) your personal interests where they fall within a category mentioned in paragraph 8(3)(a) and
 - (ii) your personal interests which are also disclosable pecuniary interests where they fall within a category mentioned in paragraph 8(5)

by providing written notification to your authority's monitoring officer.
- (2) Subject to paragraph 14, you must, within 28 days of becoming aware of any new personal interest falling within sub-paragraphs (1)(b)(i) or (1)(b)(ii) or any change to any personal interest registered under sub-paragraphs (1)(b)(i) or (1)(b)(ii), register details of that new personal interest or change by providing written notification to your authority's monitoring officer.

14 Sensitive Information

- (1) Where you consider that the information relating to any of your personal interests is sensitive information, and your authority's monitoring officer agrees, the monitoring officer shall not include details of the interest on any copies of the register of members' interests which are made available for inspection or any published version of the register, but may include a statement that you have an interest, the details of which are withheld under this paragraph.
- (2) You must, within 28 days of becoming aware of any change of circumstances which means that information excluded under paragraph (1) is no longer sensitive information, notify your authority's monitoring officer asking that the information be included in the register of members' interests.
- (3) In this Code, "sensitive information" means information, the details of which, if disclosed, could lead to you or a person connected with you being subject to violence or intimidation.

15 Dispensations

- (1) The Audit and Standards committee, or any sub-committee of the Audit and Standards committee, or the monitoring officer may, on a written request made to the monitoring officer of the authority by a member, grant a dispensation relieving the member from either or both of the restrictions in paragraph 12(1)(a) (restrictions on participating in discussions and in voting), in cases described in the dispensation.
- (2) A dispensation may be granted only if, after having had regard to all relevant circumstances, the Audit and Standards committee, its sub-committee, or the monitoring officer -
 - (a) considers that without the dispensation the number of persons prohibited by paragraph 12 from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business;
 - (b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business;
 - (c) considers that granting the dispensation is in the interests of persons living in the authority's area;
 - (d) if it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without the dispensation each member of the authority's executive would be prohibited by paragraph 12 from participating in any particular business to be transacted by the authority's executive; or
 - (e) considers that it is otherwise appropriate to grant a dispensation.
- (3) A dispensation must specify the period for which it has effect, and the period specified may not exceed four years.
- (4) Paragraph 12 does not apply in relation to anything done for the purpose of deciding whether to grant a dispensation under this paragraph.

Note from Monitoring Officer: Councillors are reminded that quite apart from the Code of Conduct, section 106 of the Local Government Finance Act 1992 restricts the rights of Councillors who are two months or more in arrears with their council tax payments. Any such member must disclose the fact and must not vote at any meeting on decisions being taken which might affect the level of the council tax or the arrangements for administering it. Failure to comply is a criminal offence.

CODE OF CONDUCT OF MEMBERS

As a member or co-opted member of Lewes District Council I have a responsibility to represent the community and work constructively with our staff and partner organisations to secure better social, economic and environmental outcomes for all.

In accordance with the Localism Act provisions, when acting in this capacity I am committed to behaving in a manner that is consistent with the following principles to achieve best value for our residents and maintain public confidence in this authority.

The Seven Principles of Public Life

Selflessness

- 1 Members should act solely in terms of the public interest.

Integrity

- 2 Members must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

- 3 Members must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

- 4 Members are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

- 5 Members should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

- 6** Members should be truthful.

Leadership

- 7** Members should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Appendix 2

Non-exhaustive Examples of Bullying and Harassment

With reference to paragraph 3(2)(b) of this Code –

(1) Examples of bullying behaviour include, without limitation:

- spreading malicious rumours, or insulting someone by word or behaviour
- copying memos that are critical about someone to others who do not need to know
- ridiculing or demeaning someone – picking on them or setting them up to fail
- exclusion or victimisation
- unfair treatment
- overbearing supervision or other misuse of power or position
- unwelcome sexual advances – touching, standing too close, display of offensive materials, asking for sexual favours, making decision on the basis of sexual advances being accepted or rejected.
- making threats or comments about job security without foundation
- deliberately undermining a competent worker by overloading or constant criticism
- preventing individuals progressing by intentionally blocking promotion or training opportunities
- invading someone's personal space
- speaking to someone in an overbearing manner
- using aggressive body language
- undermining or belittling someone

(2) Examples of harassment include, without limitation:

- making abusive, derogatory, patronising, suggestive or sexualised comments or sounds
- making jokes or insulting gestures or facial expressions
- ridicule
- offensive e-mails, tweets or comments on social networking sites
- trolling via social networking sites
- threats of aggression or intimidation
- making false and malicious assertions
- intrusive questioning about private matters
- display of offensive material
- unwanted comments on dress or appearance

Report To:	Audit and Standards Committee
Date:	16 July 2019
Report Title:	Financial Procedure Rules
Report of:	Homira Javadi, Chief Finance Officer
Cabinet member	Councillor Phil Davis (Portfolio Holder for Finance)
Ward(s) Affected:	All
Purpose of report:	To present to Audit and Standards Committee updated Financial Procedure Rules, and seek comment on them.
Officer recommendation(s):	Audit and Standards Committee are asked to review the draft Financial Procedure Rules in advance of them being submitted to Full Council for approval.
Reasons for recommendations:	It is a duty of the Chief Finance Officer (CFO) to maintain an up to date set of Financial Procedure Rules to ensure the Council has effective governance of finances in place.
Contact Officer(s)	Name: Homira Javadi Post title: Chief Finance Officer E mail: Homira.Javadi@lewes-eastbourne.gov.uk Telephone number: 01273 085512

1 Introduction

- 1.1** Lewes District Council exercises its powers and duties in accordance with the law and its Constitution. Part 4 of the Constitution of the Council sets out the Financial Procedure Rules of the Council. These Rules have been the subject of a number of incremental updates over recent years most recently in July 2014. Now that Lewes District Council and Eastbourne Borough Council are working very closely together it is timely that these rules are harmonized between the two councils and updated to reflect best practice.
- 1.2** The remit of the Audit and Standards Committee sets out that it is responsible for exercising the powers to maintain an overview of the Council's constitution in terms of contract procedure rules, financial regulations, and codes of conduct and behaviour. A report on the Financial Procedure Rules was also presented to Cabinet at its 1 July meeting. Following this meeting, the Financial Procedure Rules will be submitted to Full Council for approval.

2 Structure of the draft updated Financial Procedure Rules

- 2.1** Good practice and legislation have informed the draft update, including The Role of The Chief Finance Officer (CFO) in Local Government (CIPFA February 2016) and Section 114 of the Local Government Finance Act 1988. The Key elements of the structure of the draft update Financial Procedure Rules is set out as follows. Appendix 1 summaries key changes from the current Financial Procedure Rules.

- Introduction (Role of the CFO, a summary of Financial Procedure Rules and responsibilities to the Council, responsibilities of Personal, the CFO, Directors/ Assistant Directors and Heads of Service)
- Financial Planning (This sets out the procedures and responsibilities for budgeting and maintenance of reserves)
- Financial Management (This sets out the procedures and responsibilities for managing income and expenditure)
- Financial Accounting (This sets out the procedures and responsibilities for accounting policies, accounting records and returns and the statement of accounts).
- Control of Resources (This sets out the procedures and responsibilities for internal controls, audit requirements (both internal and external audit), preventing fraud and corruption, assets and treasury management, banking and petty cash.
- Financial Systems and Procedures (This sets out the procedures and responsibilities for systems, security of income and expenditure, taxation and trading accounts and business units (including Local Authority Trading Companies).
- External Arrangements (This sets out the procedures and responsibilities for partnerships, external funding and working for third parties)).

3 Financial Appraisal

- 3.1** There are no financial implications arising from the recommendations in this report other than those already contained within existing budgets.

4 Legal Implications

- 4.1** There are no direct legal implications arising from this report.

5 Risk Management Implications

- 5.1** If the Council does not have up to date Financial Procedure Rules reviewed and approved by Councillors, it will not be able to demonstrate that it has in place adequate means to safeguard Council assets and services, and could be subject to criticism from the Council's external auditor or the public.

6 Equality analysis

- 6.1** An equalities impact assessment is not considered necessary because the report is for information only and involves no key decisions.

7 Background Papers

The Constitution of Lewes District Council.

<https://www.lewes-eastbourne.gov.uk/about-the-councils/constitutions/>

8 Appendices

8.1 Appendix 1 – Key Changes to Financial Procedure Rules

Appendix 2 – Lewes District Council Draft Financial Procedure Rules

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APPENDIX 1: Key Changes from the previous Financial Procedure Rules

Overall – July 2019 Draft is structured outlining individual responsibilities under each section, and generally contains greater detail.

July 2019 Draft	Current	Comments
<p>1. Introduction Role of the CFO, a summary of Financial Procedure Rules and responsibilities to the Council, responsibilities: Personal, CFO, Directors/ Assistant Directors and Heads of Service.</p>	<p>Introduction</p> <p>1. Financial Administration</p>	<p>Outlines overall responsibilities and greater detail.</p>
<p>1. Financial Planning Procedures and responsibilities for budgeting and maintenance of reserves</p>	<p>2. Financial Planning</p>	<p>Covers revenue and capital budget; medium term planning and reserves in detail.</p>
<p>3 Financial Management Procedures and responsibilities for managing income and expenditure.</p>	<p>3. Control on Capital and Revenue Expenditure</p> <p>4. Control of Income</p>	<p>Sets out in detail processes for budget monitoring and control, virement, and emergency expenditure.</p>
<p>4. Financial Accounting. Procedures and responsibilities for accounting policies, accounting records and returns and the statement of accounts</p>	<p>Not covered.</p>	<p>New section.</p>
<p>5. Risk Management and Control of Resources. Procedures and responsibilities for internal controls, audit requirements (both internal and external audit), preventing fraud and corruption, assets and treasury management, banking</p>	<p>5. Audit and Control Arrangements</p> <p>7. Asset Register</p>	<p>More detail on the internal control environment is provided, clearly defining the responsibilities of officers. Reference to specific legislation including the Local Audit and</p>

and petty cash.		Accountability Act 2014 and to CIPFA's Treasury Management in The Public Services: Code of Practice
6 Financial Systems and Procedures Procedures and responsibilities for systems, security of income and expenditure, taxation and trading accounts and business units (inc. Local Authority Trading Companies)	8. Salaries Wages and Pensions	New section covering range of areas in more detail.
7 External Arrangements. Procedures and responsibilities for partnerships, external funding and working for third parties	Not covered.	

LEWES DISTRICT COUNCIL

DRAFT FINANCIAL PROCEDURE RULES

JULY 2019

1. INTRODUCTION

1.1 Role of the Chief Finance Officer (CFO)

1.1.1. Financial Procedure Rules are designed to maintain an acceptable standard of financial administration. They must be available to and followed by all Officers, Members and agents acting for the Council. Together with Standing Orders they regulate the conduct of the Council's business.

1.1.2. Section 151 of the Local Government Act 1972 requires every local authority "to make arrangement for the proper administration of their financial affairs and ensure that one of their officers has responsibility for the administration of those affairs". The officer designated by the Council as having the statutory responsibility set out in Section 151 is the Chief Finance Officer and the Deputy Chief Finance Officer is the designated deputy.

1.1.3. The Chartered Institute of Public Finance and Accounting (CIPFA) "Statement on the Role of the Chief Financial Officer (CFO) in Local Government 2016" defines the role of a CFO as:

- 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;
- 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
- 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.

1.1.4. To deliver these responsibilities the CFO:

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

1.2 Financial Procedure Rules

1.2.1 The Financial Procedure Rules provide the framework for the financial administration of the Council with a view to ensuring that financial matters are conducted in a sound and proper manner, constitute value for money and minimise the risk of legal challenge. Financial Procedure Rules are not intended to constitute a set of detailed rules to respond to every contingency.

- 1.2.2. All financial decisions and decisions with financial implications must have regard to proper financial control. Any doubt as to the appropriateness of a financial proposal or correctness of a financial action must be clarified in advance of the decision or action with the CFO.
- 1.2.3. Detailed procedure notes and other financial instructions may be issued from time to time by the CFO, where assistance is needed with the interpretation of Financial Procedure Rules.
- 1.2.4. Failure to observe Financial Procedure Rules (including any supplementary procedure notes and financial instructions), may result in action under the Council's disciplinary procedures.
- 1.2.5. These Financial Procedure Rules should be read in conjunction with the Contract Procedure Rules and the Scheme of Delegation.
- 1.2.6. The CFO is responsible for maintaining a continuous review of the Financial Procedure Rules and submitting any additions or changes necessary to the Council for approval. An annual review shall be undertaken.
- 1.2.7. The CFO is also responsible for reporting, where appropriate, breaches of the Financial Procedure Rules to the Council and/or to the Cabinet. The CFO is authorised to temporarily suspend Financial Procedure Rules in exceptional circumstances, and where such a suspension is authorised, a written record shall be kept of the reasons for this.
- 1.2.8. Directors, Assistant Directors and Heads of Service are responsible for ensuring that all staff in their Directorates/Services are aware of the existence and content of the Financial Procedure Rules and that they comply with them.

1.3. Responsibilities

To the Council

- 1.3.1 Councillors and employees of the Council are responsible for ensuring that they use the resources and assets entrusted to them in a responsible and lawful manner. They should strive to achieve value for money and avoid legal challenge to the Council.
- 1.3.2. These responsibilities apply equally to councillors and employees when representing the Council on outside bodies.

Personal

- 1.3.3. Any person charged with the use or care of Council resources and assets should make themselves aware of the Council's requirements under the Financial Procedure Rules. If anyone is in any doubt as to their obligations, then they should seek advice. Unresolved questions of interpretation should be referred to the CFO.

- 1.3.4. All employees must report immediately to their manager, supervisor or other responsible senior Officer any illegality, impropriety, serious breach of procedure or serious deficiency in the provision of services that they suspect or become aware of. Employees are able to do this without fear of recrimination providing they act in good faith via the Council's Whistle Blowing Policy. Compliance with the Council's Anti-Fraud and Corruption Strategy and the Code of Conduct for Officers is mandatory for all Officers.

Chief Finance Officer

- 1.3.5. Section 114 of the Local Government Finance Act 1988 requires the CFO to report to Council, Cabinet, and the External Auditor if the Council, any of its committees, or any person holding any office or employment with the Council:

- Has made, or is about to make, a decision which involves, or would involve, the authority incurring unlawful expenditure;
- Has taken, or is about to take, unlawful action which has resulted, or would result, in a loss or deficiency to the Council; or
- Is about to make an unlawful entry in the Council's accounts.

- 1.3.6. Section 114 of the 1988 Act also requires:

- The CFO to nominate a properly qualified member of staff to deputise should they be unable to perform the duties under section 114 personally; and
- The Council to provide the CFO with sufficient staff, accommodation and other resources, as are in his/her opinion sufficient to carry out his/her duties under Section 114.

- 1.3.7. The CFO has a range of general responsibilities, which underpin an overriding responsibility to ensure the proper administration of the financial affairs of the Council. These include:

- Setting financial management standards and to monitor compliance with them;
- Ensuring proper professional practices are adhered to, and to act as head of profession in relation to the standards, performance and development of finance staff throughout the Council;
- Advising on the key strategic controls necessary to secure sound financial management; and
- Ensuring that financial information is available to enable accurate and timely monitoring and reporting of financial and non-financial performance indicators.

Directors/ Assistant Directors and Heads of Service

- 1.3.8. Directors/ Assistant Directors and Heads of Service are responsible for ensuring that the Financial Procedure Rules are observed throughout all areas under their control and shall:
- Provide the CFO with such information and explanations as the CFO feels is necessary to meet their obligations under the Financial Procedure Rules;
 - Consult with the CFO and seek approval on any matter liable to affect the Council's finances materially, before any commitments are incurred;
 - Ensure that Cabinet Councillors are advised of the financial implications of all significant proposals and that the financial implications have been agreed by the CFO;
 - Inform the CFO of failures of financial control resulting in additional expenditure or liability, or loss of income or assets;
 - Wherever any matter arises which may involve irregularities in financial transactions consult with the CFO and, if a serious irregularity is confirmed, the matter shall be reported to the Chief Executive, appropriate Cabinet Member and Assistant Director HR and Transformation; and
 - Ensure the legality of their Directorate/Service's actions.
- 1.3.9. Directors/ Assistant Directors and Heads of Service are also responsible for:
- Promoting the financial management standards set by the CFO in their departments and to monitor adherence to the standards and practices, liaising as necessary with the CFO; and
 - Promoting sound financial practices in relation to the standards, performance and development of staff in their service areas.

2. FINANCIAL PLANNING

2.1. Budgeting

a) Budget Format

The budget format determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate, the operation of cash limits and sets limits at which funds may be reallocated.

- 2.1.1. Advise Cabinet on the format and content of the budget to be approved by Council.

Directors/Assistant Directors and Heads of Service

- 2.1.2. Comply with budgetary guidance provided by CFO.

b) Budget and Medium Term Planning

The Council is a complex organisation responsible for delivering a wide variety of services. It needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighted priorities. The budget is the financial expression of the Council's plans and policies. The revenue budget must be constructed so as to ensure that resource allocation properly reflects the service plans and priorities of Council. Budgets (spending plans) are needed so that the Council can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for a Council to budget for a deficit. Medium-term planning involves a cycle in which managers develop their own plans in conjunction with the CFO. As each year passes, another future year will be added to the Medium-Term Financial Strategy (MTFS). This ensures that the Council is always preparing for events in advance.

CFO Responsibilities

- 2.1.3. Prepare and submit reports on revenue budget forecasts to Cabinet, including resource constraints set by Government. Reports should take account of medium-term forecasts, where appropriate.
- 2.1.4. Determine detailed form of revenue budgets and the methods for preparation, consistent with the budget approved by Council, and after consultation with Cabinet, Directors/Assistant Directors and Heads of Service.
- 2.1.5. Prepare and submit reports to Cabinet on aggregate spending plans of service areas and on the resources available to fund them, identifying, where appropriate, implications for the level of taxation to be levied.
- 2.1.6. Advise on the medium-term implications of spending decisions and alternative options.
- 2.1.7. Work with Directors/Assistant Directors and Heads of Service, and all Council Officers, to identify opportunities to improve economy, efficiency and effectiveness, encouraging good practice financial appraisals of development or savings options, and in developing the financial aspects of service planning.
- 2.1.8. Advise Council on Cabinet proposals in accordance with responsibilities under Section 151 of the Local Government Act 1972.

Directors/ Assistant Directors and Heads of Service Responsibilities

- 2.1.9. Prepare detailed draft revenue budgets in consultation with the CFO, for submission to Cabinet and approval by Council.

- 2.1.10. Integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- 2.1.11. When drawing up draft revenue budgets, have regard to spending/income patterns and pressures, volatility to external influences, legal requirements, policy requirements, initiatives already underway and external grants and contributions.

c) Capital Programme

Capital expenditure involves acquiring or enhancing fixed assets with long-term value to the Council, such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs.

CFO Responsibilities

- 2.1.12. Prepare capital budgets jointly with Directors/ Assistant Directors and Heads of Service and report them to Cabinet for approval. The Cabinet will make recommendations on the capital budgets and on any associated financing requirements to Council. Cabinet Member approval is required where a Director/ Assistant Director and Head of Service proposes to bid for or exercise additional borrowing, not anticipated in the Capital Programme (extra borrowing will create future commitments to financing costs).
- 2.1.13. Prepare and submit reports to Cabinet on projected income, expenditure and resources compared with approved budgets.
- 2.1.14. Issue guidance on capital schemes and controls e.g. revenue costs, project appraisal techniques. The definition of capital will be determined by the CFO, having regard to government regulations and accounting requirements.
- 2.1.15. Obtain Cabinet authorisation for individual schemes where estimated expenditure exceeds Capital Programme provision by more than 10% or £50,000 whichever is the lower (subject to minimum overspend of £5,000).

Directors/ Assistant Directors and Heads of Service Responsibilities

- 2.1.16. Comply with guidance on capital projects and controls issued by CFO.
- 2.1.17. Develop and implement asset management plans in conjunction with CFO.
- 2.1.18. Ensure that all capital projects have undergone a robust appraisal which has been approved by Financial and Legal Services, before being presented and discussed by the appropriate management group.

- 2.1.19. Prepare regular reports reviewing Capital Programme provisions for their services, and prepare a quarterly return of estimated final costs of schemes in the approved Capital Programme for submission to CFO.
- 2.1.20. Ensure adequate records are maintained for all capital contracts.
- 2.1.21. In consultation with the CFO, accelerate the progress of a scheme by deferring the start of another scheme in that year's programme or, if delays are occurring generally, may bring forward a scheme programmed to start in a later year.
- 2.1.22. Proceed with projects only when there is adequate provision in the Capital Programme, following Cabinet or Council approval, and with the agreement of the CFO where required. Cabinet can approve projects up to a cumulative value of £500,000 (General Fund) and £500,000 (Housing Revenue Account) in any one financial year. Projects that breach the £500,000 limits – either alone or cumulatively – require Council approval.
- 2.1.23. Prepare and submit reports, jointly with the CFO, to Cabinet, of any variation in contract costs greater than approved limits. The Cabinet may meet cost increases of up to 5% of the project by virement from identified savings arising from other projects within the capital programme.
- 2.1.24. Prepare and submit reports, jointly with the CFO, to Cabinet on completion of schemes where the final expenditure varies from the approved budget by more or less than 10% or £50,000 whichever is the lower (subject to minimum overspend/underspend of £5,000).
- 2.1.25. Ensure credit arrangements, such as leasing agreements, are not entered into without prior CFO approval, who will need to undertake an assessment of the type of lease arrangement being entered into and, if applicable, approval of the scheme through the Capital Programme.
- 2.1.26. Consult with the CFO and seek Cabinet approval where Director/ Assistant Director and Head of Service proposes to bid for Government approvals to support expenditure that has not been included in current year's Capital Programme.

2.2. Maintenance of Reserves

The Council must decide the minimum level of General Reserves it wishes to maintain before it can decide the level of Council Tax. Reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending, should such events occur. There are also reserves earmarked for specific purposes.

- 2.2.1. To advise Cabinet and/or Council on prudent levels of reserves for the Council, and to take account of the advice of CIPFA in this matter.

Directors/ Assistant Directors and Heads of Service Responsibilities

- 2.2.2. To ensure that reserves are used only for the purposes for which they were intended.

3. FINANCIAL MANAGEMENT

3.1. Managing Income and Expenditure

a) Budget Monitoring and Control

Proper budget management ensures that, once the budget has been approved by Council, allocated resources are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Council to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account, managers responsible for defined elements of the budget.

By continuously identifying and explaining variances against budget targets, the Council can identify changes in trends and resource requirements at the earliest opportunity. The Council itself operates within an annual revenue limit, approved when setting the annual budget. To ensure that the Council does not overspend in total, each service is required to manage its own income and expenditure within the budget allocated to it. For the purposes of budgetary control by managers, a budget will usually be the planned income and expenditure excluding support and capital charges, for a Department.

CFO Responsibilities

- 3.1.1. Submit reports to Cabinet and Council, in consultation with the relevant Director/ Assistant Director and Head of Service, where a Director/ Assistant Director and Head of Service's expenditure and resources are significantly outside the approved budgets under their control.
- 3.1.2. Prepare and submit quarterly reports on the Council's projected income and expenditure compared with the budget to the Cabinet.
- 3.1.3. Establish an appropriate framework of budgetary management and control that ensures that:
- Budget management is exercised within the approved budget unless Cabinet approves a supplementary estimate;
 - Each Director/Assistant Director and Head of Service has timely information on income and expenditure on each budget which is sufficiently detailed to enable managers to monitor their budgetary responsibilities;

- As a minimum, quarterly updates are held between a Head of Service, budget holder and their Finance representative;
- Expenditure is committed only against the approved budget cost centre;
- All Officers responsible for income and expenditure, comply with the relevant guidance and the Financial Procedure Rules;
- Each cost centre has a single named manager, designated by the relevant Director/Assistant Director and Head of Service. As a general principle, budgetary responsibility should be aligned as closely as possible to the decision-making processes that commit expenditure; and
- Significant variances from approved budget are investigated and reported by budget holders monthly and advised to the Strategic Management Team and Cabinet.

3.1.4. Administer the Council's Scheme of Virement (refer to subsection b) below).

Directors/ Assistant Directors and Heads of Service Responsibilities

- 3.1.5. Consult with CFO on any matter which is liable materially to affect the finances of the Council before any provision or other commitment is incurred and before reporting to Members.
- 3.1.6. Maintain budgetary control within their services, in adherence to the principles above, and to ensure that all income and expenditure is properly recorded and accounted for.
- 3.1.7. Ensure that an accountable budget holder is identified for each item of income and expenditure under the control of the Director/ Assistant Director and Head of Service (grouped together in a series of department codes). Budget responsibility should be aligned as closely as possible to the decision-making that commits the expenditure.
- 3.1.8. Ensure that spending remains within the service's overall budget limit, and that individual budget heads are not overspent, by monitoring and taking appropriate corrective action where significant variations from the approved budget are forecast and to report these to the CFO. This regulation shall also apply to any action or decision, which will give rise to a reduction in income.
- 3.1.9. Ensure that a monitoring process is in place to review performance levels in conjunction with the budget and is operating effectively within the guidelines set down by the CFO.
- 3.1.10. Obtain prior approval by Council or Cabinet (as appropriate) for new proposals (Supplementary Estimates) outside of the budget and policy framework, of whatever amount, that:

- Create financial commitments in the current year and future years (Cabinet approval limit up to £500,000 cumulative in a single financial year individually for both General Fund and HRA , Council approval for higher amounts).
- Change existing policies, initiate new policies or cease existing policies; and
- Materially extends or reduces Council services.

3.1.11. Ensure compliance with Scheme of Virement (refer to subsection b) below).

3.1.12. Consult with the relevant Director/ Assistant Director and Head of Service, where it appears that a budget proposal, including a virement proposal, may impact on another service area or another Director/ Assistant Director or Head of Service's service activity, prior to any action being taken.

b) Virement

A virement is the transfer between budgets that enables Cabinet, Directors, Assistant Directors and Heads of Service and their staff, to manage budgets with a degree of flexibility within the overall budget and policy framework determined by the Council, and therefore to optimise the use of resources.

3.1.13. The Scheme of Virement is administered by the CFO within guidelines set by Council and any variation from the Scheme requires Council approval.

3.1.14. Virement does not create additional overall budget liability and should not be used to create additional budget demand in future years.

3.1.15. Virement is not allowed:

- From capital financing charges, interest credits, council tax and housing benefit payments and projects financed by external grants and contributions, corporate finance costs (e.g. bank charges), precepts etc. or internal recharges (e.g. departmental support service recharges); or
- For a transfer of resources between funds or Capital projects.

3.1.16. Virement is only allowed from employee costs with the approval of the CFO and after consideration of the overall budget position on employees, since the budget anticipates savings on employee budgets from natural staff turnover.

CFO Responsibilities

3.1.17. Prepare, jointly, with the relevant Director/Assistant Director and Head of Service a report to Cabinet on proposed virements, where required under the Scheme.

Directors/ Assistant Directors and Heads of Service Responsibilities

- 3.1.18. Directors/Assistant Directors and Heads of Service may exercise virement on budgets under their control for gross amounts up to £30,000 in total (cumulative within a single financial year), within Departmental budgets or between Departmental budgets within the same Service budget (any combination thereof), following the approval of the CFO and subject to the conditions in paragraphs 3.1.19 to 3.1.22 below.
- 3.1.19. Amounts greater than £30,000 require Portfolio Holder approval, following a joint report by the CFO and the Director/Assistant Director and Head of Service, which must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial year. Each Cabinet Member has a cumulative limit of £250,000 per financial year.
- 3.1.20. Amounts greater than £250,000 require Cabinet approval. The Cabinet has a cumulative limit of £500,000 per financial year. Amounts greater than £500,000 require Council approval.
- 3.1.21. Prior Cabinet approval is required for any virement where it is proposed to:
- vire between budgets of different accountable Cabinet Members; and
 - vire between budgets managed by different Directors/ Assistant Directors and Heads of Service.
- 3.1.22. Virements relating to a specific financial year should not be made after 31st March in that year.
- 3.1.23. Where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:
- The amount is used in accordance with the purposes for which it has been established; and
 - Cabinet has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits should be reported to the Cabinet.

c) Year-End Balances

The treatment of year-end balances is administered by the CFO within guidelines set by the Council. The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward.

- 3.1.24. The Scheme of Carry-Forwards is administered by the CFO within guidelines set by Council and any variation from the Scheme requires Council approval.

3.1.25. The rules cover arrangements for transferring resources between accounting years (i.e. carry-forwards).

CFO Responsibilities

3.1.26. Administer the Scheme of Carry-Forwards within guidelines approved by Council:

- Underspent Capital budgets at year-end will be carried forward in the Capital Programme automatically unless no longer required
- Underspent Revenue budgets up to £30,000 on individual budgets may be carried forward with CFO approval
- Underspent Revenue budgets in excess of £30,000 on individual budgets may be carried forward with Cabinet approval
- All underspent Revenue budgets approved to be carried forward will be retained in an earmarked reserve.

3.1.27. Report jointly with relevant Director/Assistant Director and Head of Service on all material overspends and underspends on service budgets carried forward to the Cabinet and to Council.

Directors/ Assistant Directors and Heads of Service Responsibilities

3.1.28. Underspends on service budgets up to £30,000 under the control of the Director/Assistant Director and Head of Service may be carried forward with prior CFO approval. Underspends over £30,000 require Cabinet approval.

3.1.29. Take account of Capital underspends carried forward into the following years Capital Programme.

d) Emergency Expenditure

The Council needs a procedure in place for meeting immediate needs if an emergency situation arises in the district.

3.1.30. The Chief Executive and CFO shall have authority to approve expenditure on items essential to meet immediate needs created by an emergency or which is referable to Section 138 of the Local Government Act 1972, subject to a subsequent report to Cabinet and/or Council depending on whether or not the expenditure can be met within the current budget framework.

3.1.31. The Leader or Deputy Leader (having received report from Chief Executive and CFO), shall have power to incur expenditure essential to meet immediate needs created by an emergency, or which is referable to Section 138 of the Local Government Act 1972 (or subsequent legislation) which is not otherwise authorised, or where it is necessary in the Council interest to settle legal proceedings. A subsequent report shall be submitted to Cabinet

and/or Council, depending on whether or not the expenditure can be met within the current budget framework.

- 3.1.32. The CFO will ensure, retrospectively, the submission of a claim for reimbursement under the “Bellwin Scheme” for any eligible emergency costs incurred i.e. costs incurred on, or in connection with, immediate actions to safeguard life and property or to prevent suffering or severe inconvenience as a result of a disaster or emergency in the district. Grant is limited by Section 155 of the Local Government and Housing Act 1989 and local authorities are expected to have budgeted for a certain amount of emergency expenditure (the ‘threshold’).

4. FINANCIAL ACCOUNTING

4.1. Accounting Policies

The CFO is responsible for preparing the Council’s Statement of Accounts, in accordance with proper practices as set out in the format required by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) issued by (CIPFA/LASAAC), for each financial year.

CFO Responsibilities

- 4.1.1. Select suitable accounting policies and ensure they are applied consistently. Accounting policies are set out in the annual Statement of Accounts.

Directors/ Assistant Directors and Heads of Service Responsibilities

- 4.1.2. Adhere to accounting policies, timetables and guidelines approved by the CFO.

4.2. Accounting Records

Maintaining proper accounting records is one of the ways in which the Council discharges its responsibility for the stewardship of public resources. The Council has a statutory responsibility to prepare an annual Statement of Accounts that give a “true and fair view” of the financial position and transactions of the Council. The accounting records are subject to external audit. The audit provides assurance that the Statement of Accounts have been prepared properly, that proper accounting practices have been followed and that robust arrangements have been made for securing economy, efficiency and effectiveness in the use of Council resources.

CFO Responsibilities

- 4.2.1. Determine the accounting procedures and records for the Council. Where these are maintained outside of Financial Services, the CFO should consult the Director/Assistant Director and Head of Service concerned.
 - 4.2.2. Arrange for the compilation of all accounts and accounting records under his or her direction.
 - 4.2.3. Comply with the following principles when allocating accounting duties:
 - Separating the duties of providing information about sums due to or from the Council and calculating, checking and recording these sums from the duty of collecting or disbursing them; and
 - Employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
 - 4.2.4. Ensure that claims for funds, including grants, are made by the due date.
 - 4.2.5. Make proper arrangements for the audit of the Council's Statement of Accounts in accordance with the latest Accounts and Audit (England) Regulations.
 - 4.2.6. Prepare and publish the Statement of Accounts for each financial year in accordance with the statutory timetable, and present audited Statements for approval by the Audit and Standards Committee before 31st July each year. Submit provisional outturn results for financial year to Cabinet as soon as practicable.
 - 4.2.7. Ensure the retention of financial documents in accordance with the Council's Document Retention Policy.
 - 4.2.8. Undertake or receive monthly reconciliations for all fundamental IT financial systems and sign off as evidence of CFO's review.
- Directors/ Assistant Directors and Heads of Service Responsibilities**
- 4.2.9. Consult and obtain the approval of the CFO before making changes to accounting arrangements, records and procedures.
 - 4.2.10. Comply with segregation of duties principles outlined in Paragraph 4.2.3 when allocating accounting duties.
 - 4.2.11. Maintain records that provide a management trail, leading from income/expenditure source through to the accounting statements, and carry out regular monthly reconciliations of fundamental IT financial systems to the Council's corporate financial management information system.
 - 4.2.12. Supply information required to enable the Statement of Accounts to be completed by the statutory deadline of 31st May each year and in accordance with guidelines issued by the CFO.

4.3. Statement of Accounts

The Council has a statutory responsibility to prepare its own Statement of Accounts, which give a “true and fair view” of the financial position and transactions of the Council.

The Audit & Standards Committee is responsible for approving the statutory annual Statement of Accounts.

CFO Responsibilities

- 4.3.1. Select suitable accounting policies and to apply them consistently.
- 4.3.2. Make judgements and estimates that are reasonable and prudent.
- 4.3.3. Ensure compliance the CIPFA/LASAAC Accounting Code of Practice.
- 4.3.4. Sign and date the Statement of Responsibilities with the Statement of Accounts, stating it gives a true and fair view of the financial position and transactions of the Council (including group financial statements where applicable) at the year ended 31st March.
- 4.3.5. Draw up the timetable for final accounts preparation and to advise Officers and external auditors accordingly.

Directors/ Assistant Directors and Heads of Service Responsibilities

- 4.3.6. Comply with accounting guidance provided by the CFO and supply the CFO with information when required.

5. RISK MANAGEMENT AND CONTROL OF RESOURCES

5.1. Risk Management

All organisations, whether in the private or public sector, face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk Management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the organisation and to ensure its continued financial and organisational wellbeing. In essence it is an integral part of good business practice. Risk Management is concerned with evaluating the measures an organisation already has in place to manage perceived risks and then recommend the actions the organisation needs to take to control these risks effectively. The Audit and Governance Committee monitors the effective development and operation of Risk Management, and it is the overall responsibility of Cabinet to approve the Risk Management Strategy, and to promote a culture of risk management awareness throughout the Council.

CFO Responsibilities

- 5.1.1. Develop and maintain a Risk Management Strategy.
- 5.1.2. Develop and maintain a Risk Register.
- 5.1.3. Develop and promote a proactive and positive corporate Risk Management culture, including awareness and the implementation and maintenance of Risk Management controls.
- 5.1.4. Include all appropriate employees in suitable Fidelity Guarantee insurance cover.
- 5.1.5. Arrange suitable corporate insurance cover, through external insurance and internal funding, and negotiate claims for losses in consultation with other Officers, and partner organisations, where necessary.

Directors/Assistant Directors and Heads of Service Responsibilities

- 5.1.6. Promote a proactive and positive Risk Management culture within service area, including raising awareness and the implementation and maintenance of Risk Management controls.
- 5.1.7. Show due regard to advice from specialist Officers (e.g. health and safety) and review risks through the Service Planning process at least quarterly.
- 5.1.8. Promptly notify CFO of all significant new risks, properties, vehicles or other assets that require insurance and of any alterations affecting existing insurances and to provide information when requested.
- 5.1.9. Immediately notify CFO of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the CFO or the Council's insurers.
- 5.1.10. Consult with the CFO and the Assistant Director Legal and Democratic Services on the terms of any indemnity that the Council is requested (or has offered) to give.
- 5.1.11. Ensure that employees, or anyone covered by Council insurance, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

5.2. Internal Controls

The Council is complex and beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards strategic objectives and to monitor compliance with statutory obligations.

The Council faces a wide range of financial, legal, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks and to protect the Council from the impact of uncertainties.

CFO Responsibilities

- 5.2.1. Assist the Council to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.
- 5.2.2. Ensure an effective internal audit function is resourced and maintained.
- 5.2.3. Ensure that the Council 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.
- 5.2.4. Ensure an effective audit committee is developed and maintained.

Directors/ Assistant Directors and Heads of Service Responsibilities

- 5.2.5. Ensure that external auditors are given access at all reasonable times to premises, human resources, documents and assets which the external auditors consider necessary for the purposes of their work.
- 5.2.6. Ensure that all records and systems are up to date and available for inspection.
- 5.2.7. Review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the CFO. Directors/ Assistant Directors and Heads of Service should also be responsible for removing controls that are unnecessary or not cost or risk effective – for example, because of duplication.
- 5.2.8. Ensure Officers have a clear understanding of the consequences of lack of control.

5.3. Audit Requirements

a) Internal Audit

The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. More specific requirements are set out in the Accounts and Audit Regulations 2015, which require the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

Chief Executive

- 5.3.1. Ensure that the Chief Internal Auditor has direct access to and freedom to report in his or her own name and without fear or favour to the Chief Executive and the CFO, the Cabinet and the Audit & Standards Committee,

all levels of management, Officers and elected Councillors. This should include the ability to meet the Chair of the Audit & Standards Committee alone (outside of the Committee meeting) and External Auditors to discuss significant concerns that they may have over the adequacy and effectiveness of internal controls and risk management activities.

CFO Responsibilities

- 5.3.2. Implement appropriate measures to prevent and detect fraud and corruption and ensure that effective procedures are in place to investigate promptly any identified fraud or irregularity.
- 5.3.3. Report to Cabinet requesting additional funding where insufficient internal audit resources have been identified.

Chief Internal Auditor Responsibilities

- 5.3.4. Ensure that Internal Audit has unrestricted access to all information (including records, computer files, property and personnel) and activities undertaken by the Council, and those of partner organisations and third party service providers where contract terms include Internal Audit access rights.
- 5.3.5. Assisting the CFO in discharging their responsibilities under Section 151 of the Local Government Act 1972 in relation to internal controls.
- 5.3.6. Providing and maintaining an Internal Audit function which meets the requirements of the Public Sector Internal Audit Standards (PSIAS).
- 5.3.7. Developing and delivering an Annual Audit Plan for the Council using a risk based methodology. Following consultation with the Chief Executive Officer, CFO and CMT, the Chief Internal Auditor will submit such plan to the Audit & Standards Committee for review and approval prior to the commencement of each financial year.
- 5.3.8. Providing an annual Internal Audit opinion, compliant with PSIAS requirements, which informs the Annual Governance Statement on how the Council's control environment, including risk management processes, accounting records, governance and value for money arrangements, established by management, are operating within the Council.
- 5.3.9. Issuing other reports which provide assurance to the Chief Executive, CFO, Monitoring Officer and the Strategic Management Team, and making recommendations for improvement.
- 5.3.10. Comply with any requests from the External Auditor or access to any information, files or working papers obtained or prepared during audit work that is required to discharge their responsibilities.
- 5.3.11. Reporting to the Chief Executive, CFO and the Audit and Standards Committee, if the Chief Internal Auditor concludes that resources are insufficient.

Directors/ Assistant Directors and Heads of Service Responsibilities

- 5.3.12. Ensure that Internal Audit are given access at all reasonable times to premises, human resources, documents and assets that the auditors consider necessary for the purposes of their work.
- 5.3.13. Ensure that auditors are provided with any information and explanations that they seek in the course of their work.
- 5.3.14. Consider and respond promptly to recommendations/actions in Internal Audit reports.
- 5.3.15. Ensure that agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- 5.3.16. Notify the Chief Internal Auditor immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of Council property, assets or resources. Pending investigation and reporting, the Director/ Assistant Director or Head of Service should take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 5.3.17. Ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Chief Internal Auditor prior to implementation.

b) External Audit

The Local Audit and Accountability Act 2014 (“the Act”) sets out the framework for audit of local authorities. It replaces the provisions of the Audit Commission Act 1998 following the closure of the Audit Commission. The duties and responsibilities of external auditors are primarily set out in Part 5 of the Act and reflected in a Code of Audit Practice issued by the National Audit Office.

The Statement of Accounts is scrutinised by the external auditors, who must be satisfied that they give a “true and fair view” of the financial position and transactions of the Council (including any group financial statements where applicable) during the year and complies with all legal requirements.

CFO Responsibilities

- 5.3.18. Ensure that external auditors are given access at all reasonable times to premises, human resources, documents and assets that the external auditors consider necessary for the purposes of their work.
- 5.3.19. Ensure there is effective liaison between external and internal audit.

- 5.3.20. Work with the external auditor and advise Council, Cabinet and Directors/Assistant Directors and Heads of Service on their responsibilities in relation to external audit.

Directors/ Assistant Directors and Heads of Service Responsibilities

- 5.3.21. Ensure that external auditors are given access at all reasonable times to premises, human resources, documents and assets which the external auditors consider necessary for the purposes of their work.
- 5.3.22. Ensure that all records and systems are up to date and available for inspection.

5.4. Preventing Fraud and Corruption

The Council will not tolerate fraud and corruption in the administration of its responsibilities, whether from inside or outside the Council.

The Council's expectation of propriety and accountability is that Members and Officers at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

The Council also expects that individuals and organisations, including partner organisations, suppliers, contractors and service providers with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.

Chief Executive Responsibilities

- 5.4.1. Maintain adequate and effective internal control arrangements.

CFO Responsibilities

- 5.4.2. Implement appropriate measures to prevent and detect fraud and corruption.

Chief Internal Auditor Responsibilities

- 5.4.3. Develop and maintain a comprehensive Anti-Money Laundering Strategy.
- 5.4.4. Develop and maintain a comprehensive Anti-Fraud and Corruption Strategy.
- 5.4.5. Report all suspected irregularities (as appropriate) to the Chief Executive, the CFO, and the Audit & Standards Committee.

Directors/ Assistant Directors and Heads of Service Responsibilities

- 5.4.6. Ensure that all suspected irregularities are reported to the Chief Internal Auditor without delay.
- 5.4.7. Instigate the Council's disciplinary procedures where the outcome of an audit investigation indicates improper behaviour.
- 5.4.8. Ensure that where financial impropriety is discovered, the CFO and Chief Internal Auditor are informed as soon as possible, and where sufficient

evidence exists to believe that a criminal offence may have been committed, this will be investigated by Counter Fraud Officers of the councils.

5.4.9. Maintain a Register of Interests' for both Councillors and Officers.

5.5. Assets

a) Security of Property

The Council holds assets in the form of property, vehicles, plant, software, equipment other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

CFO Responsibilities

- 5.5.1. Maintain an Asset Register in accordance with good practice for all fixed assets with a value in excess of £10,000. The function of the Asset Register is to provide the Council with information about fixed assets so that they are safeguarded, used efficiently and effectively and adequately maintained.
- 5.5.2. Receive and process information required for accounting, costing and financial records from each Director/ Assistant Director and Head of Service.
- 5.5.3. Ensure that assets are valued in accordance with the Code issued by (CIPFA/LASAAC).
- 5.5.4. Issue guidelines on best practice ("Local Authority Assets: Disposal Guidance - DCLG March 2016") for asset disposals.
- 5.5.5. Ensure appropriate accounting entries are made to remove the value of asset disposals from the Council's records, including the proceeds of sale where appropriate.
- 5.5.6. (Independently) review and authorise proposed stock write-offs (including obsolete and surplus stock) submitted by Directors/ Assistant Directors Heads of Service, within predetermined limits. Values in excess of predetermined limits should be forwarded for approval by the Portfolio Holder for Finance and/or Cabinet as appropriate.

Directors/ Assistant Directors and Heads of Service Responsibilities

- 5.5.7. Notify the CFO immediately of any additions/disposals/variations to the Asset Register. Any use of property by a service area or establishment, other than for direct service delivery, should be supported by documentation identifying terms, responsibilities and duration of use.
- 5.5.8. Arrange for the valuation of assets for accounting purposes to meet requirements specified by the CFO.

- 5.5.9. Recommend surplus land and buildings for sale to the Asset Management Group (AMG), followed by a joint report prepared by the relevant Director/ Assistant Director and Head of Service and the CFO to Cabinet.
- 5.5.10. Follow best practice guidelines for asset disposals, issued by the CFO.
- 5.5.11. Ensure prospective occupiers of Council land are not allowed to take possession or enter until a lease or agreement (in a form approved by the Director/ Assistant Director and Head of Service in consultation with the Assistant Director – Legal and Democratic Services) has been established as appropriate.
- 5.5.12. Ensure security of buildings and other assets, including vehicles, plant, equipment, furniture, stock, stores and other property, within service area. Consult CFO where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 5.5.13. Pass title deeds to Assistant Director - Legal and Democratic Services, for safe custody. The Head of Operations must keep a record of all properties owned by the Council, recording Portfolio, the purpose for which it is held, the location, the plan reference, purchase details, particulars of interest and rent payable, and particulars of tenancies granted.
- 5.5.14. Ensure that cash holdings on premises are kept within insurance limits (determined by CFO) and keys to safes and similar receptacles are carried on the person of those responsible at all times. Loss of any such keys must be reported to the CFO immediately.
- 5.5.15. Ensure all employees are aware of their personal responsibility to protect and retain the confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the Council.

Inventories

- 5.5.16. Maintain an Inventory List within service area, recording descriptions of any furniture, fittings, equipment, plant and machinery, with individual values of £75 or more. The Risk and Insurance Manager must be notified if the value of a single item exceeds £10,000.
- 5.5.17. Carry out annual check of all significant inventory items to verify location, condition and take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Portable items such as computers, cameras and video recorders should be identified with Council security markings.

- 5.5.18. Make sure that property is only used in the course of Council business, unless the Director/ Assistant Director and Head of Service concerned has given permission otherwise.

Stocks and Stores

- 5.5.19. Make appropriate arrangements for the care and custody of stocks and stores within service area.
- 5.5.20. Maintain stocks at reasonable levels and ensure regular (minimum quarterly) independent physical stock checks. Stock discrepancies should be immediately investigated and pursued to a satisfactory conclusion.
- 5.5.21. Recommend stock write-offs (including obsolete and surplus stock) by submitting proposal in writing to CFO (seeking advice from purchasing advisors where appropriate).

5.6. Treasury Management, Banking and Petty Cash

Millions of pounds pass through Councils' accounts each year. This has led to the establishment of CIPFA's "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes" (the Code).

The Code aims to provide assurance that Council money is properly managed in a way that balances risk with return, with overriding consideration given to the security of capital sums.

Banking arrangements and petty cash should also be managed appropriately with key responsibilities confined to the CFO and a limited number of authorised individuals.

CFO Responsibilities

- 5.6.1. Undertaking borrowing and investment activities in full compliance with CIPFA's "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes". Any other lending or borrowing cannot be undertaken without the approval of Council, following consultation with the CFO.
- 5.6.2. Ensuring that all borrowing and investing activities are undertaken in the name of the Council (or nominee approved by Council) and detailed records/registers maintained and appropriate arrangements are made for the safe custody of all securities and title deeds.
- 5.6.3. Arranging and administering banking arrangements, including negotiate banking arrangements, opening accounts, signing Direct Debit mandates, ordering cheque books and arranging BACS payments.
- 5.6.4. Along with the Chief Executive, signing bank mandates authenticating the signatures of Officers designated as cheque signatories, and signatories for other instruments for the payment, collection or transfers of monies. All

cheques must bear the signature of two authorised Officers of the Council and dispatched directly from the CFO (or his or her staff) to payees.

- 5.6.5. Making arrangements with the bank for the issue of corporate Purchasing Cards.
- 5.6.6. Developing, maintaining and disseminating a detailed Purchasing Card Policy, ensuring that all card holders sign their acceptance of its terms and conditions.
- 5.6.7. Developing and operating a Petty Cash Imprest system (including a set of CFO prescribed rules), which balances operational need with efficiency and appropriate cash control measures.

Directors/ Assistant Directors and Heads of Service Responsibilities

- 5.6.8. Following instructions on banking and purchase cards issued by the CFO.
- 5.6.9. Utilising Purchasing Cards in accordance with the corporate Purchasing Card Policy. Cardholders must formally sign to indicate their acceptance of the Policy, prior to usage.
- 5.6.10. Ensure Trust Funds are held in the Council's name wherever possible. Officers acting as Trustees, due to their official position, must deposit securities etc. relating to the Trust with the CFO, unless the deed otherwise provides.
- 5.6.11. Ensure Trust Funds are operated within relevant legislation and the specific requirements for each Trust. Secure administration arrangements must be approved by the CFO.
- 5.6.12. Ensure employees within service area operate Petty Cash Imprest system in compliance with CFO prescribed rules.

6. FINANCIAL SYSTEMS AND PROCEDURES

Service areas have many systems and procedures relating to the control of the Council's assets, including purchasing, costing and management systems. Service areas are increasingly reliant on ICT for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed, errors detected promptly and system reconciliations completed and evidenced monthly.

The CFO has a professional responsibility to ensure that Council financial systems are sound and should therefore be consulted at an early stage in the process prior to the implementation of any new developments or changes/upgrades to existing systems.

CFO Responsibilities

6.1.1. Make arrangements for the proper administration of the Council's financial affairs, including:

- Issuing advice, guidance and procedures for Officers and others acting on the Council's behalf
- Determining the accounting systems, form of accounts and supporting financial records
- Establishing arrangements for audit of the Council's financial affairs
- Approving any new financial systems to be introduced; and
- Approving any changes to be made to existing financial systems.

Directors/ Assistant Directors and Heads of Service Responsibilities

6.1.2. Comply with procedures and guidance issued by the CFO.

6.1.3. Ensure that accounting records are properly maintained and held securely.

6.1.4. Ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements set out in the approved Document Retention Policy.

6.1.5. Ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.

6.1.6. Incorporate appropriate controls to ensure that, where relevant:

- All input is genuine, complete, accurate, timely and not previously processed
- All processing is carried out in an accurate, complete and timely manner
- Output from the system is complete, accurate and timely; and
- Output is reconciled, at least monthly, to the Council's general ledger and signed off by the preparer and reviewer of the reconciliation.

6.1.7. Ensure that the organisational structure provides an appropriate segregation of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice.

- 6.1.8. Ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 6.1.9. Ensure systems are documented and Officers trained in operations.
- 6.1.10. Consult with CFO before changing existing financial systems or introducing new financial systems.
- 6.1.11. Establish a scheme of delegation identifying Officers authorised to act upon the Director/Assistant Director and Head of Service's behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- 6.1.12. Supply lists of authorised Officers, with specimen signatures and delegated limits, to the CFO, together with any subsequent variations.
- 6.1.13. Ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Where possible, back-up information should be retained in a secure location, preferably off site or at an alternative location within the building.
- 6.1.14. Ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that staff are aware of their responsibilities under the legislation.
- 6.1.15. Ensure relevant standards and guidelines for computer systems issued by Directors/Assistant Directors and Heads of Service are observed.
- 6.1.16. Ensure computer equipment and software is protected from loss and damage through theft, vandalism etc.
- 6.1.17. Comply with the copyright, designs and patents legislation. In particular, ensure that only software legally acquired and installed by the Council is used on its computers.

6.2. Income and Expenditure

a) Income

Income can be a vulnerable resource and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and properly banked. It is preferable to obtain income in advance of supplying goods or services as this improves cash flow and avoids the time and cost of administering debts.

CFO Responsibilities

- 6.2.1. Agree arrangements for the collection of income due to the Council and approve the procedures, systems and documentation for its collection.

- 6.2.2. Periodically issuing guidance on charging policy, including key principles on fees and charges (e.g. full cost recovery and benchmarking), taxation and inflationary assumptions
- 6.2.3. Order and supply to service areas receipt forms, books or tickets and similar items and satisfy themselves regarding control arrangements.
- 6.2.4. Agree the write-off of bad debts (in consultation with the relevant Director/ Assistant Director or Head of Service) up to £15,000 in value in each case and refer sums in excess of this limit, but up to £100,000, to the Cabinet Member for Resources for approval. Individual sums to be written off that exceed £100,000 require Cabinet approval.
- 6.2.5. Keep records of all sums written off and ensure appropriate accounting adjustments are made.
- 6.2.6. Ensure that refunds are not made for sums under £5.00, unless specifically requested by the individual.
- Directors/ Assistant Directors and Heads of Service Responsibilities**
- 6.2.7. Establish charging policy for the supply of goods or services in accordance with guidance issued by the CFO, reviewing it regularly, in line with corporate policies.
- 6.2.8. Separate responsibility for identifying amounts due and responsibility for collection, as far as is practicable.
- 6.2.9. In consultation with the CFO, establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- 6.2.10. Issue official receipts for all cash transactions (except where a legal document is the receipt for money received) and maintain other documentation for income collection where receipts are not required.
- 6.2.11. Ensure wherever practical that at least two employees are present when post is opened at a site where income is regularly received.
- 6.2.12. Securely hold receipts, tickets and other records of income in accordance with Document Retention Policy.
- 6.2.13. Lock away all cash to safeguard against loss or theft, and to ensure security of cash handling.
- 6.2.14. Ensure income is paid promptly and fully into Council bank account in the form in which it is received. Appropriate details should be recorded to provide a full audit trail. Money collected and deposited must be reconciled to bank account on a monthly basis (minimum).

- 6.2.15. Ensure income received is not used to cash personal cheques or make any other payments.
- 6.2.16. Supply CFO with details relating to work done, goods supplied, services rendered or other amounts due, to enable the CFO to record correctly the sums due to the Council and to ensure accounts are sent out promptly. To do this, Directors/Assistant Directors and Heads of Service should use established debt recovery systems to monitor the recovery of income and flag up areas of concern to the CFO. Heads of Service have a responsibility to assist the CFO in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.
- 6.2.17. Keep a record of every transfer of money between employees of the Council. The receiving Officer must sign for the transfer and the transferor must retain a copy.
- 6.2.18. Recommend debts for write-off to the CFO and keep a record of all sums written off. Once raised, bona fide debts must not be cancelled, except by full payment or by formal write off. A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt, a waiver or reduction in charges.
- 6.2.19. Where delegated authority has been granted by the CFO, individuals can write-off bad debts up to their specified limit in each case (Note – delegated authority must be exercised in strict observance of 'separation of duties' principles; referred to above in Paragraph 6.2.8). Sums in excess of their limit must be referred to the CFO for approval, who in turn will seek Cabinet Member approval for write-off of bad debt exceeding £15,000 in line with Paragraph 6.2.4 above.
- 6.2.20. Notify CFO of outstanding income relating to the previous financial year as soon as possible after 31st March in line with timetable determined by the CFO, and not later than 10th April or nearest working day thereafter.

b) Ordering and paying for work, goods and services

Public money should be spent with demonstrable probity and in accordance with Council policies. Councils have a statutory duty to achieve best value, in part through economy and efficiency. Council procedures should help to ensure that services obtain value for money from their procurement arrangements. These procedures should be read in conjunction with the Council's Contract Procedure Rules.

- 6.2.21. Officers and Members engaged in contractual or procurement decisions on behalf of the Council have a responsibility to declare links or personal interests that they may have with purchasers, suppliers and/or contractors, in accordance with appropriate codes of conduct.

- 6.2.22. Official orders must be issued for all work, goods or services to be supplied to the Council, except for supplies of utilities, periodic payments such as rent or rates, corporate purchasing card purchases, petty cash purchases or other exceptions specified by the CFO. Any order placed by telephone shall be confirmed by the issue of an official order within 5 working days.
- 6.2.23. Purchase orders must conform to guidelines approved by Council for the procurement of goods, services and suppliers. Standard terms and conditions must not be varied without the prior CFO approval.
- 6.2.24. The normal payment method will be by BACS payment direct to the customer, drawn on the Council bank account, approved by the CFO. Direct debits will require prior CFO agreement, or a designated bank signatory, before any agreement is signed. Purchasing card payments may be made by Officers preauthorised by the CFO and identified on the Authorised Signatory List. VAT receipts for all goods must accompany monthly statements submitted to the CFO. Spending limits will be set/approved the CFO.
- 6.2.25. Official orders must not be raised for personal or private purchases, nor must personal or private use be made of Council contracts.

CFO Responsibilities

- 6.2.26. Ensure Council financial systems and procedures are sound and properly administered, approving changes to existing systems (whether new systems or upgrades) before implementation.
- 6.2.27. Approve the form of official orders and associated terms and conditions.
- 6.2.28. Make payment from Council funds on Directors/Assistant Directors and Heads of Service authorisations that expenditure has been duly incurred in accordance with Financial Procedure Rules.
- 6.2.29. Make payment (irrespective of budget provision) where it is required by statute or court order.
- 6.2.30. Arrange for the keeping of a Contract Register where contracts provide for payment by instalments.
- 6.2.31. Make payments to contractors upon receipt of properly completed certificates from Directors/Assistant Directors and Heads of Service. Such payments must be entered and appropriately cross referenced in the Contract Register.
- 6.2.32. Provide advice and encouragement on making payments by the most economical means.

Directors/ Assistant Directors and Heads of Service Responsibilities

- 6.2.33. The Assistant Director - Legal and Democratic Services will determine the form of contract to be used for building, constructional or engineering work.

- 6.2.34. Ensure that all contract variations are in writing and agreed before work on the variation commences.
- 6.2.35. Refer claims from contractors on matters not clearly within existing contract terms to Assistant Director - Legal and Democratic for consideration of Council liability and to the CFO for financial consideration, before settlement is reached.
- 6.2.36. Take appropriate action, in consultation with Assistant Director - Legal and Democratic, in respect of any claim for liquidated and ascertained damages where contract completion is delayed. This provision will not apply if there are reasons qualifying for an extension.
- 6.2.37. Ensure that unique Cafi generated official orders are used for all goods and services, other than the exceptions specified in Paragraph 6.2.22.
- 6.2.38. Ensure orders are only used for goods and services provided to the relevant service area. Members and Officers must not use official orders to obtain goods or services for private use. Neither may Officers place orders for goods or services for personal use using the Council's e-procurement system.
- 6.2.39. Ensure that only staff authorised by Directors/Assistant Directors and Heads of Service authorise orders and maintain an up-to-date list of such authorised staff, including specimen signatures, identifying the limits of their authority. The authoriser of the order should be satisfied that works, goods, supplies and services ordered are appropriate and needed, that there is adequate budgetary provision and that Contract Procedure Rules have been followed.
- 6.2.40. Ensure that works, goods, supplies and services are checked on receipt to verify that they are in accordance with the order. This check should, where possible, be carried out by a different Officer from the authoriser of the order. Entries should then be made in inventories or stores records where appropriate.
- 6.2.41. Ensure payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment.
- 6.2.42. Ensure a minimum of two authorised members of staff are involved in the ordering, receiving and payment process. If possible, a different Officer from the person who signed the order, and in every case, a different Officer from the person checking a written invoice, should authorise invoices.
- 6.2.43. Periodically review a list of their staff approved to authorise invoices. New authorising Officers, together with specimen signatures, and details of their authority limits, must be forwarded to the CFO.

- 6.2.44. Ensure that payments are not made on photocopied or faxed invoices, statements or other documents. Any instances of these being rendered should be reported to the Chief Internal Auditor. In exceptional circumstances, where payment is made against such a document and where properly authenticated, the transaction must be processed in accordance with CFO guidance.
- 6.2.45. Encourage suppliers to accept payment by the most economical means for the Council. Payments made by Direct Debit must have the prior approval of the CFO or an authorised bank signatory.
- 6.2.46. Ensure service area achieves value for money by taking appropriate steps to obtain competitive prices for works, goods, supplies and services of appropriate quality, in line with best practice guidelines issued by the CFO, consistent with best value principles and contained within the Contract Procedure Rules.
- 6.2.47. Utilise the Procurement Team in putting purchases, where appropriate, out to competitive quotation or tender. These will comply with Contract Procedure Rules.
- 6.2.48. Ensure that employees are aware of the Code of Conduct (Part 5 of the Constitution).
- 6.2.49. Ensure that loans, leases or rental arrangements are not entered into without prior CFO agreement. This is to protect the Council against entering into unapproved credit arrangements that might adversely affect financial standing and to ensure that value for money is being obtained.
- 6.2.50. Notify CFO of outstanding committed expenditure relating to previous financial year as soon as possible after 31st March in line with timetable determined by CFO and, in any case, not later than 10th April.
- 6.2.51. With regard to construction contracts and alterations to buildings and for civil engineering works, to document and agree with CFO the systems and procedures to be adopted in relation to all financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedure for validation of subcontractors' tax status.
- 6.2.52. Notify the CFO immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 6.2.53. Ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the Document Retention Policy.

c) Payments to employees and Members

Staff costs are the largest item of expenditure for most Council services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Council and that payments accord with individuals' Contract of Employment. It is also important that all payments are accurately and completely recorded and accounted for and that Member allowances are authorised in accordance with the scheme adopted by Council.

CFO Responsibilities

- 6.2.54. Ensure appropriate arrangements are in place to control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by them, on the due date.
- 6.2.55. Record and make arrangements for the accurate and timely payment of tax, pension contributions and other deductions and to complete all relevant HMRC returns.
- 6.2.56. Make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- 6.2.57. Make arrangements for paying Members travel or other allowances upon receiving the prescribed documentation, duly completed and authorised.
- 6.2.58. Provide advice and encouragement to secure payment of salaries by the most economical means.
- 6.2.59. Ensure that there are adequate arrangements for administering pension matters on a day-to-day basis.
- 6.2.60. Act as an advisor on areas such as taxation and monitoring of the East Sussex County Council Pension Fund, as appropriate.

Directors/Assistant Directors and Heads of Service Responsibilities

- 6.2.61. Ensure that appointments are made in accordance with the regulations of the Council and the approved Establishment List, grades and scale of pay and that adequate budget provision is available.
- 6.2.62. Notify the Head of Human Resources of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the form and to the timescale required by the Head of Human Resources.
- 6.2.63. Ensure that adequate and effective systems and procedures are operated, so that:
 - Payments are only authorised to bona fide employees
 - Payments are only made where there is a valid entitlement
 - Conditions and contracts of employment are correctly applied; and
 - Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- 6.2.64. Provide and maintain an up-to-date list of the names of Officers authorised to complete and return records to the Head of Human Resources, together

with specimen signatures, where appropriate. The CHRIS HR system should contain update lists of Human Resources Officers and Officers authorised to approve timesheets and claims.

- 6.2.65. Ensure that payroll transactions are processed only through the payroll system. Directors/Assistant Directors and Heads of Service should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis and take advice from the Head of Human Resources.
- 6.2.66. Approve travel and subsistence claims and other allowances, but only when they have been made on an approved travel expenses form and within three months of the travel or subsistence being incurred. Approval is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Head of Human Resources is informed where appropriate.
- 6.2.67. Ensure that the Head of Human Resources is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 6.2.68. Ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the Document Retention Policy.
- 6.2.69. The Head of Human Resources to act as an advisor to Directors/Assistant Directors and Heads of Service on areas such as employment status, National Insurance and Pension Contributions, as appropriate.
- 6.2.70. Ensure that the staffing budget is an accurate forecast of staffing levels in accordance with the approved Establishment List and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- 6.2.71. Ensure the Chief Executive (or the Officer delegated by them) has approved any changes in employment conditions where the full year cost of such changes would exceed £1,000.
- 6.2.72. Monitor staff activity to ensure adequate control over costs such as sickness, overtime, training and temporary staff.
- 6.2.73. Ensure that the staffing budget is not exceeded without prior authority from the CFO / Head of Human Resources and that it is managed to enable the agreed level of service to be provided.
- 6.2.74. Ensure that the Head of Human Resources and the CFO are immediately informed if the staffing budget is likely to be significantly overspent or underspent.

Member Responsibilities

- 6.2.75. Submit claims for Member travel and subsistence allowances on a monthly basis (or within three months of incurring the travel or subsistence) and, in any event, within one month of year end.

6.3 Taxation

The Council is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all Officers to be aware of their role. The creation and use of Local Authority Trading Companies (LATC's), has resulted in added Tax considerations, including Corporation Tax and 'different VAT rules'.

CFO Responsibilities

- 6.3.1. Complete Council VAT returns and annual Partial Exemption calculations in accordance with HMRC timescales.
- 6.3.2. Discharge Tax related responsibilities for Council-owned trading companies (LATCs), including all Corporation Tax and VAT duties and returns.
- 6.3.3. Provide details to the HMRC regarding the Construction Industry Scheme (CIS).
- 6.3.4. Maintain up-to-date guidance for Council employees on taxation issues.

Directors/ Assistant Directors and Heads of Service Responsibilities

- 6.3.5. Ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HMRC regulations.
- 6.3.6. Ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary CIS requirements.
- 6.3.7. Ensure that all persons employed by the Council are added to the Council's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised staff agency.
- 6.3.8. Follow the guidance on taxation issued by the CFO.

6.4. Trading Accounts and Business Units (including Local Authority Trading Companies)

Trading accounts and business units have been growing in importance for many years as local councils have progressively developed a more commercial culture. Under proper accounting practices, Councils are required to keep trading accounts for services provided on a basis other than a straightforward recharge of cost in accordance with the Accounting Code of Practice.

Ongoing reductions in Government support is further increasing the rate of 'council commercialisation'. Councils are seeking ever more innovative ways to achieve financial self-sufficiency, with legislative changes (notably the introduction of a "general power of competence" under Section 1 of the Localism Act 2011) aiding the proliferation of local authority trading companies.

CFO Responsibilities

- 6.4.1. Advise on the establishment and operation of trading accounts and business units.
- 6.4.2. Advise on the establishment and operation of local authority trading companies, including the professional financial appraisal of proposed commercial investments, projects and trading opportunities.
- 6.4.3. Prepare financial statements for local authority trading companies in accordance with relevant proper accounting practice.
- 6.4.4. Ensure compliance with all relevant extant companies and tax legislation in respect of local authority trading companies, including the preparation of taxation and other financial returns.
- 6.4.5. Arrange and maintain adequate insurance cover for local authority trading companies, where appropriate.

Directors/ Assistant Directors and Heads of Service Responsibilities

- 6.4.6. Follow CFO advice on the establishment and operation of trading accounts and business units.
- 6.4.7. Follow CFO advice on the establishment and operation of local authority trading companies. In particular, it is essential that the robustness of all commercial proposals is established through CFO input at the concept and development stage(s).
- 6.4.8. Consult with the CFO where a business unit wishes to enter into a third party contract where the contract expiry date exceeds the remaining life of their main contract with the Council. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- 6.4.9. Ensure that appropriate accounting principles (as guided by the CFO) are applied in relation to Council trading accounts, and statutory accounts required for trading companies, including any tax implications, where applicable.
- 6.4.10. Ensure that each business unit and trading company prepares an annual business plan.

7. EXTERNAL ARRANGEMENTS

Partnerships- Partnerships can exist in many forms and play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Councils are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Councils still deliver some services, but their distinctive leadership role is to bring together the contributions of the various stakeholders. They therefore need to deliver a shared vision of services based on user and community wishes.

Councils will mobilise investment, bid for funds, champion the needs of their areas and harness the energies of local people and community organisations. Councils will be measured by what they achieve in partnership with others.

Jointly Controlled Operations (JCO's) are activities undertaken by the Council in conjunction with partners that involve the use of assets and resources of the partners, rather than the establishment of a separate entity.

7.1.1. A partner is defined as either:

- (a) An organisation (private or public) undertaking, part funding or participating as a beneficiary in a project; or
- (b) A body whose nature or status gives it a right or obligation to support the project

CFO Responsibilities

7.1.2. Advise on effective controls and the key elements of entering into any partnership, including JCO's, to ensure that resources are not wasted. Examples include, but are not limited to:

- (a) A scheme appraisal for financial viability in both the current and future years, together with capital/revenue cash flow forecasts for at least three years
- (b) Risk appraisal and management
- (c) Resourcing, including taxation / VAT issues
- (d) Audit, security and control requirements

- (e) Carry-forward arrangements; and
- (f) Ensure that an annual business plan is prepared.

7.1.3. Ensure that the partnership accounting and governance arrangements comply with all relevant regulations and codes of practice.

Directors/ Assistant Directors and Heads of Service Responsibilities

- 7.1.4. Ensure that, before entering into any agreement with external bodies, including the terms of operation, the CFO is consulted and the Cabinet approval is obtained.
- 7.1.5. Maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the CFO.
- 7.1.6. Ensure that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the CFO.
- 7.1.7. Ensure that arrangements are in place for cessation of a partnership, including an exit strategy.
- 7.1.8. Ensure that such agreements and arrangements do not impact adversely upon existing Council services.
- 7.1.9. Ensure that all agreements and arrangements are properly documented.
- 7.1.10. Provide appropriate information to the CFO to determine if any requirement for a note to be entered into the Council's Statement of Accounts in accordance with relevant accounting Codes of Practice is required.

7.2 External Funding

External funding is an important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Council. Councils are increasingly encouraged to provide seamless service delivery through working closely with communities, other agencies and private service providers.

In some instances, although the scope for external funding has increased, such funding is linked to tight specifications and may not be flexible enough to link to the Council's overall corporate/spending plans.

CFO Responsibilities

- 7.2.1. Ensure that arrangements are approved in advance by Cabinet.
- 7.2.3. Ensure that funding notified by external bodies is received and properly recorded in the Council's accounts.

- 7.2.4. Ensure that match-funding requirements are considered prior to entering into agreements and that future revenue budgets reflect these requirements.
- 7.2.5. Ensure that internal and external audit requirements are met.
- Directors/ Assistant Directors and Heads of Service Responsibilities**
- 7.2.6. Ensure that the CFO is consulted prior to the completion of all applications for external funding and is provided with a written copy of all grant approvals, together with grant and auditing conditions, and that all claims for funds are made in conjunction with Finance staff and submitted by the due date.
- 7.2.7. Ensure that the project progresses in accordance with the agreed project and that all expenditure is properly incurred and recorded.
- 7.2.8. Records of achievements against key targets to be met must be maintained for both financial and Non-Financial indicators.
- 7.2.9. Documentation must be made available for access by either internal and/or external audit where required.
- 7.2.10. To ensure that the retention and archiving of records complies with the conditions and requirements of the funding body.

7.3 Working with Third Parties

Legislation has enabled the Council to provide a range of services to other bodies for some time. Such work may enable a unit to maintain economies of scale and existing expertise. Such services may increasingly be delivered through local authority trading companies.

Whatever service-delivery arrangements are used (either 'in house' or through a company), robust procedures should be in place to ensure that any risks associated with such work are minimised, and that such work is legal.

CFO Responsibilities

- 7.3.1. Advise on appropriate service delivery arrangements for third party working proposals.
- 7.3.2. Where work is to be delivered through a trading company, ensure compliance with the Rules in respect of that.
- 7.3.3. Issue guidance with regard to the financial aspects of third party contracts.
- 7.3.4. Provide financial information in order for the relevant Director/Assistant Director and Head of Service to monitor the contract.

- 7.3.5 Arrange and maintain adequate insurance cover for third party contracts through corporate policy, where appropriate.

Directors/ Assistant Directors and Heads of Service Responsibilities

- 7.3.6. Follow CFO advice on appropriate service delivery arrangements for third party working proposals.
- 7.3.7. Where work is to be delivered through a trading company, ensure compliance with the Rules in respect of that.
- 7.3.8. Ensure that potential proposals are properly costed in advance in accordance with CFO guidance. It is essential that no contract is subsidised by the Council.
- 7.3.9. Ensure Cabinet approval is obtained before negotiations are concluded to work for third parties.
- 7.3.10. Maintain third party contracts register in accordance with procedures specified by CFO and ensure all contracts are properly documented.
- 7.3.11. Ensure that, wherever possible, payment is received in advance of service delivery, but in any event, payments must be promptly paid in accordance with the contract.
- 7.3.12. Ensure service area has the appropriate expertise to undertake the contract.
- 7.3.13. Ensure contracts do not adversely impact on services provided for the Council.
- 7.3.14. Provide appropriate information to CFO to determine any Accounting Code of Practice requirements.

Report to:	Audit and Standards Committee
Date:	16th July 2019
Title:	Strategic Risk Register Quarterly Review
Report of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To report to Committee the outcomes of the quarterly review of the register by Corporate Management Team.
Officer recommendation(s):	To receive and note the update to the Strategic Risk Register
Reasons for recommendations:	The Council is committed to proper risk management and to regularly updating the committee with regard to the Strategic Risk Register.
Contact Officer(s):	Name: Jackie Humphrey Post title: Chief Internal Auditor E-mail: Jackie.humphrey@lewes-eastbourne.gov.uk Telephone number: 01323 415925

1 Introduction

- 1.1 The Strategic Risk Register is a high level document that records the key risks facing the council: those risks that would prevent the authority from achieving its overall strategies and objectives.
- 1.2 Maintaining the Strategic Risk Register is a vital part of the governance arrangements of the authority and, as such, it is overseen by the Corporate Management Team who review it on a quarterly basis.
- 1.3 The risk register shows the risk, a description of the risk, the risk score if no action is taken (original risk score), the internal controls put in place to mitigate the risk and the risk score after these controls are in place (current risk score).
- 1.4 The risk register is brought to the committee when any changes have been made to it following review by the Corporate Management Team.

2 June 2019 Review

- 2.1 The Strategic Risk Register was taken to Corporate Management Team on the 11th June 2019 for the latest quarterly review.
- 2.2 Previously the “risk owner” was shown as the Corporate Management Team for each risk. However it has been agreed that risks should be allocated to

appropriate members of the team. The register has therefore been updated accordingly.

- 2.3 Two risk scores have been increased. These are for risks number 3 (changes of demands and expectations) and 4 (unsustainable employment base). In both instances the likelihood score has been raised from a 2 (possible) to a 3 (likely). This reflects the decrease in funding but the increased expectations for the authority and the increasing difficulties in recruiting to fill vacancies.

3 Future Work

- 3.1 During the year the risk management strategy and processes and the Strategic Risk Register itself will be reviewed as a full review has not been undertaken for some years.
- 3.2 Zurich is being approached to discuss what training packages they can provide in order to ensure that our approach is up to date and robust.
- 3.3 The Chief Internal Auditor is also working with the Head of Business Planning and Performance to look at the links between risk and performance in order to review how the reporting can complement both aspects.
- 3.4 Once work on this is progressing, updates will be brought to committee.

4 Financial appraisal

- 4.1 There are no financial implications arising from this report.

5 Legal implications

- 5.1 This report demonstrates compliance with regulation 3 of The Accounts and Audit Regulations 2015, which requires the Council to operate a sound system of internal control, including effective arrangements for the management of risk.

Lawyer consulted 17.06.19

Legal ref: 008358-EBC-OD

6 Risk management implications

- 6.1 If the Council does not have an effective risk management framework that is subject to proper oversight by Councillors it will not be able to demonstrate that it has in place adequate means to safeguard Council assets and services, and it could be subject to criticism from the Council's external auditor or the public.

7 Equality analysis

- 7.1 An equalities impact assessment is not considered necessary because the report is for information only and involves no key decisions.

8 Appendices

- Appendix 1 - Strategic Risk Register

9 Background papers

None

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LEWES DISTRICT COUNCIL
STRATEGIC RISK REGISTER
JUNE 2019

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
1	No political and partnership continuity/consensus with regard to organisational objectives	Sudden changes of political objectives at either national or local level renders the organisation, its current corporate plan and Medium Term Financial Strategy unfit for purpose.	4	4	16	<p><u>Reduces Likelihood</u></p> <p>1. Create inclusive governance structures which rely on sound evidence for decision making.</p> <p><u>Reduces Impact</u></p> <p>2. Annual review of corporate plan and Medium Term Financial Strategy</p> <p>3. Creating an organisational architecture through the Joint Transformation Programme that can respond to changes in the environment.</p>	Chief Executive	3	3	9	Amber	Aug-2019
2	Changes to the economic environment makes the Council economically less sustainable	<p>1. Economic development of the district suffers.</p> <p>2. Council objectives cannot be met.</p>	4	4	16	<p><u>Reduces Impact</u></p> <p>1. Robust Medium Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macro economic environment triennially.</p> <p>2. Creating an organisational architecture through the Joint Transformation Programme that can</p>	Chief Finance Officer	4	3	12	Amber	Aug-2019

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						respond to changes in the environment.						
3	Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations.	1. Unsustainable demand on services. 2. Service failure. 3. Council structure unsustainable and not fit for purpose. 4. Heightened likelihood of fraud.	2	4	8	<u>Reduces Impact</u> 1. Grounding significant corporate decisions based on up to date, robust, evidence base. (e.g. Census; Corporate Plan Place Surveys; East Sussex in Figures data modelling). 2. Ensuring community and interest group engagement in policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme)	Director of Service Delivery	3	3	9	Amber	Aug-2019
4	The employment market provides unsustainable employment base for the needs of the organisation	Employment market unable to fulfil recruitment and retention requirements of the Council resulting in a decline in performance standards and an increase in service costs.	4	4	16	<u>Reduces Likelihood</u> 1. Joint Transformation programme to increase non-financial attractiveness of EBC to current and future staff. 2. Appropriate reward and recognition policies reviewed on a regular	Asst Dir of HR and Transformation	3	2	6	Amber	Aug-2019

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						basis. <u>Reduces Likelihood and Impact</u> 3. Review of organisation delivery models to better manage the blend of direct labour provision. Pursuit of mutually beneficial shared service arrangements.						
5	Not being able to sustain a culture that supports organisational objectives and future development.	1. Decline in performance. 2. Higher turnover of staff. 3. Lack of staff motivation 4. Increase in absenteeism. 5. Service failure 6. Increased possibility of fraud and error.	4	4	16	<u>Reduces Likelihood</u> 1. Deliver a fit for purpose organisational culture through Joint Transformation programme. 2. Continue to develop our performance management capability to ensure early intervention where service and/or cultural issues arise. 3. Continue to develop communications through ongoing interactions with staff.	Asst Dir of HR and Transformation	3	4	12	Amber	Aug-2019
6	Council prevented from	1. Denial of access to property	3	5	15	<u>Reduces Likelihood</u> 1. Adoption of best practice	Chief Executi	2	4	8	Amber	Aug-2019

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
	delivering services for a prolonged period of time.	2. Denial of access to technology/information 3. Denial of access to a significant contract or partnership. 3. Denial of access to people				IT and Asset Management policies and procedures. <u>Reduces Likelihood and Impact</u> 2. Joint Transformation programme has created a more flexible, less locationally dependent service architecture. <u>Reduces Impact</u> 3. Regularly reviewed and tested Business Continuity Plans. 4. Regularly reviewed and tested Disaster Recovery Plan.	ve					
7	Council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act	1. Major incident caused by fire, flood or other disaster resulting in homelessness, disruption to Council services and local business communities 2. Service profile of the Council changes materially as a result	3	5	15	<u>Reduces Likelihood and Impact</u> 1. Working in partnership with other public bodies. 2. Robust emergency planning and use of Council's emergency powers. <u>Reduces Impact</u> 3. Ongoing and robust risk profiling of local area	Asst Dir for Corporate Governance	1	3	3	Green	Aug-2019

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		of the impact of the event. 3. Cost profile of the Council changes materially as a result of the impact of the event.				(demographic and geographic). 4. Review budget and reserves in light of risk profile.						
SR_008	Failure to meet regulatory or legal requirements	1. Credibility of the Council is negatively impacted. 2. Deterioration of financial position as a result of regulatory activity/penalties. 3. Deterioration of service performance as a result of regulatory activity/penalties. 4. Increased probability of prosecutions and compensation claims as a result of inadequate management of Health and Safety duties.	3	4	12	<u>Reduces Likelihood</u> 1. Developing, maintaining and monitoring robust governance framework for the Council. 2. Building relationships with regulatory bodies. 3. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise. 4. Take forward the actions of the Asset Management Strategy to ensure we meet regulatory/legal requirements regarding the management of property. 5. Ensure there is full	Asst Dir Legal and Democratic	2	4	8	Amber	Aug-2019

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		<p>5. Possibility of fraud and bribery.</p> <p>6. Ensure compliance with legislation such as Data Protection and Safeguarding.</p> <p>7. Entering into contracts etc. without having adequate finance in place.</p>				<p>understanding the impact of new legislation.</p> <p>6. All managers are required to abide by the Council's procurement rules.</p> <p>7. JTP Board considers activity mapping, ensuring that it covers regulatory/legal and main financial matters.</p> <p>8. Ensure that fire risk regulations are adhered to and that Fire Risk Assessments are regularly reviewed.</p>						
9	Commercial enterprises that are fully controlled by the authority do not deliver financial expectations or do not meet governance requirements.	<p>1. Unfamiliar activity with staff inexperienced in this area</p> <p>2. Council finances affected if projects do not meet financial expectations.</p> <p>3. Reputational damage if governance procedures are</p>	3	4	12	<p><u>Reduces Likelihood</u></p> <p>1. Hire suitably qualified/experienced staff to give legal and specialist support.</p> <p>2. Appoint Head of Commercial Activities.</p> <p>3. Ensure that projects meet core principles.</p> <p>4. Up or re-skill staff to maximise commercial</p>	<p>Director of Regeneration and Planning</p> <p>And</p> <p>Director of Tourism and</p>	3	3	9	Amber	Aug-2019

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		inadequate. 4. Failure to abide by company law.				opportunities. 5. Ensure governance processes are set up and adhered to.	Enterprise					

Report to:	Audit and Standards Committee
Date:	16th July 2019
Title:	Annual Governance Statement
Report of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To seek Councillors' approval of the Annual Governance Statement.
Officer recommendation(s):	To comment on and approve the draft Annual Governance Statement
Reasons for recommendations:	To meet the Council's legal requirement to produce an Annual Governance Statement.
Contact Officer(s):	Name: Jackie Humphrey Post title: Chief Internal Auditor E-mail: Jackie.humphrey@lewes-eastbourne.gov.uk Telephone number: 01323 415925

1 Introduction

- 1.1 Corporate governance involves everyone in local government. Two definitions are:
- “Ensuring the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner” – Audit Commission.
- “How the local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.” – CIPFA/SOLACE
- 1.2 The Council has a legal requirement to produce an Annual Governance Statement each year in accordance with the Accounts and Audit Regulations, 2015. The statement accompanies the Statutory Statement of Accounts once adopted.
- 1.3 The Audit and Standards Committee is tasked with overseeing the risk management, internal control and reporting to the Council. A key component of this work is to approve the Annual Governance Statement.

2 Governance Framework

- 2.1 The Annual Governance Statement is the report produced at the end of the year on the control environment of the Council. However this is just the end product of the framework of governance operating within the authority throughout the year.
- 2.2 Appendix 1 shows the framework for gathering the assurances and how this is affected by, and affects, the relationship with partners, stakeholders and the community. Following this framework should ensure that the Council meets the principles of corporate governance.
- 2.3 Use of this framework also allows the Council to demonstrate how its assurance gathering process links the strategic objectives and statutory requirements of the authority and how these objectives are to be delivered.
- 2.4 Appendix 2 shows a timetable for the gathering of assurances to produce the Annual Governance Statement. Certain elements are ongoing throughout the year whereas others are specifically produced at the year-end in order to feed directly into the Annual Governance Statement.
- 2.5 It is important to have a defined timeline for the gathering of information on assurance as there is a deadline for the publication of the Statement of Accounts alongside of which the Annual Governance Statement must be published.
- 2.6 Appendix 3 shows the Managers' Assurance Statement which includes coverage of the Bribery Act, Safeguarding, RIPA and frauds over £10k as well as items of general governance. The statements are intended to cover the operational, project and partnership responsibilities of Heads of Service. These can also be used to highlight concerns and actions required to improve governance throughout the Council.
- 2.7 These statements are completed by Directors, Assistant Directors and Heads of Service. The comments made on the statements are considered for inclusion in the Annual Governance Statement. Members of the Corporate Management Team are also required to complete the declarations which appear at the bottom of Appendix 3

3 Content of the Annual Governance Statement

- 3.1 The Annual Governance Statement is a document that provides a structure in which to consider the Council's governance arrangements and their effectiveness. This ensures that major control issues are identified and action taken to address these issues.
- 3.2 There are essentially three parts to the statement:
 - A statement of responsibility and purpose
 - A description of the components of the governance framework that exist in the Council
 - The resulting issues and actions arising from those arrangements

3.3 The Annual Governance Statement also carries a statement on the adequacy of the Authority's counter fraud arrangements.

4 The 2018-2019 review

4.1 The Annual Governance Statement last year contained a paragraph about the ongoing Joint Transformation Programme. This paragraph has been updated to read:

During the financial year the Council continued with its Joint Transformation Programme. However, it was reaching its conclusion at the year end. This programme was intended to create a more flexible, customer focussed and cost effective way of delivering services across Eastbourne Borough Council and Lewes District Councils. These changes were implemented to improve customer service and reduce costs by enabling each authority to reach their savings targets by 2020. The programme was agreed by the Cabinet at each authority and overseen by a cross party project board from both authorities. The programme was also overseen by senior management and Members, and was managed using established project management tools.

4.2 One of the sources of assurance for the Annual Governance Statement should come from Senior Managers responsible for the operation, management and monitoring of controls within their area of responsibility. The Managers' Assurance Statement is intended to collect this assurance by covering operational, project and partnership responsibilities as well as the Bribery Act, Safeguarding, RIPA and frauds over £10k. The senior manager can highlight concerns and the necessary actions required to improve governance. Assurance statements are sent out to Directors and Assistant Directors and Heads of Service. Once completed their contents are used to inform the governance statement.

4.3 Completed Managers' Assurance Statements were returned from Directors, Assistant Directors and Heads of Service. Many statements contained a range of concerns around the impact of the Joint Transformation Programme. These included: aligning policies, training staff, resource issues, developing new teams and building a joint culture.

4.4 Last year a paragraph was included by CMT in the Annual Governance Statement to cover these risks. This has been updated as below.

During the financial year the Council continued with its Joint Transformation Programme. However, it was reaching its conclusion at the year end. This programme was intended to create a more flexible, customer focussed and cost effective way of delivering services across Eastbourne Borough Council and Lewes District Councils. The inherent risks of the programme were recognised throughout and every effort made to mitigate these risks. Now that the programme is reaching its conclusion a review of outcomes is being undertaken. A Supporting Change Steering Group has also been set up to support services going forward giving an overview to all projects and new systems with a view to understanding costs, benefits, impacts and resources.

- 4.5 Document retention and risk management were also raised in several statements. However a project group has been set up to look at document retention and work is about to begin looking at the risk management process across the authorities. It is therefore suggested that these do not currently constitute significant issues.
- 4.6 The new housing software was also raised by several respondents. The issues around its implementation has taken a lot of staff resources both in the department and in other departments. These issues are ongoing and have had an impact on the closure of accounts. It is also considered that the project has not met its objectives. This has been included in the Annual Governance Statement as a significant governance issue.
- 4.7 The Director of Tourism and Enterprise raised significant governance issues in their declaration. These were around the deterioration building assets. In each instance surveys and longer-term plans are required. CMT considered this and agreed that a paragraph be added to the body of the statement but that this did not constitute a significant governance issue. The added paragraph is below.

Asset Management issues were also raised in the Managers' Assurance Statements returned. The Corporate Management Team agreed that an external review had been commissioned that had resulted in a detailed report on the current condition and future of some assets. This report is being reviewed to consider future options.

- 4.8 The Cipfa Code of Practice on Managing the Risk of Fraud and guidance suggests it is good practice to make a statement on the adequacy of an authority's counter fraud arrangements in the annual governance statement.

This code contains five principles:

- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take action

The Chief Internal Auditor is satisfied that the Council meets these principles by having a Counter-Fraud and Audit team who review risks across the authority and direct their work as appropriate. It is therefore considered that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud and uphold its zero tolerance.

5 Financial appraisal

- 5.1 There are no financial implications arising from this report.

6 Legal implications

- 6.1 This report demonstrates compliance with regulation 6 of The Accounts and

Audit Regulations 2015. Regulation 6 requires the Council, in reviewing its system of internal control, to prepare an annual governance statement and secure its approval by resolution of the appropriate committee; in the case of LDC, this is the Audit and Standards Committee.

Lawyer consulted 13.06.19

Legal ref: 008349-LDC-OD

7 Risk management implications

- 7.1 Failure to produce an Annual Governance Statement, and to maintain proper assurance arrangements to support its production, can reduce the likelihood of the Council meeting its objectives, and attract criticism from the Council's stakeholders and the Council's external auditor. The Audit and Governance Committee review of the Annual Governance Statement significantly reduces these risks.

8 Equality analysis

- 8.1 A detailed Equality analysis is not required for this report.

9 Appendices

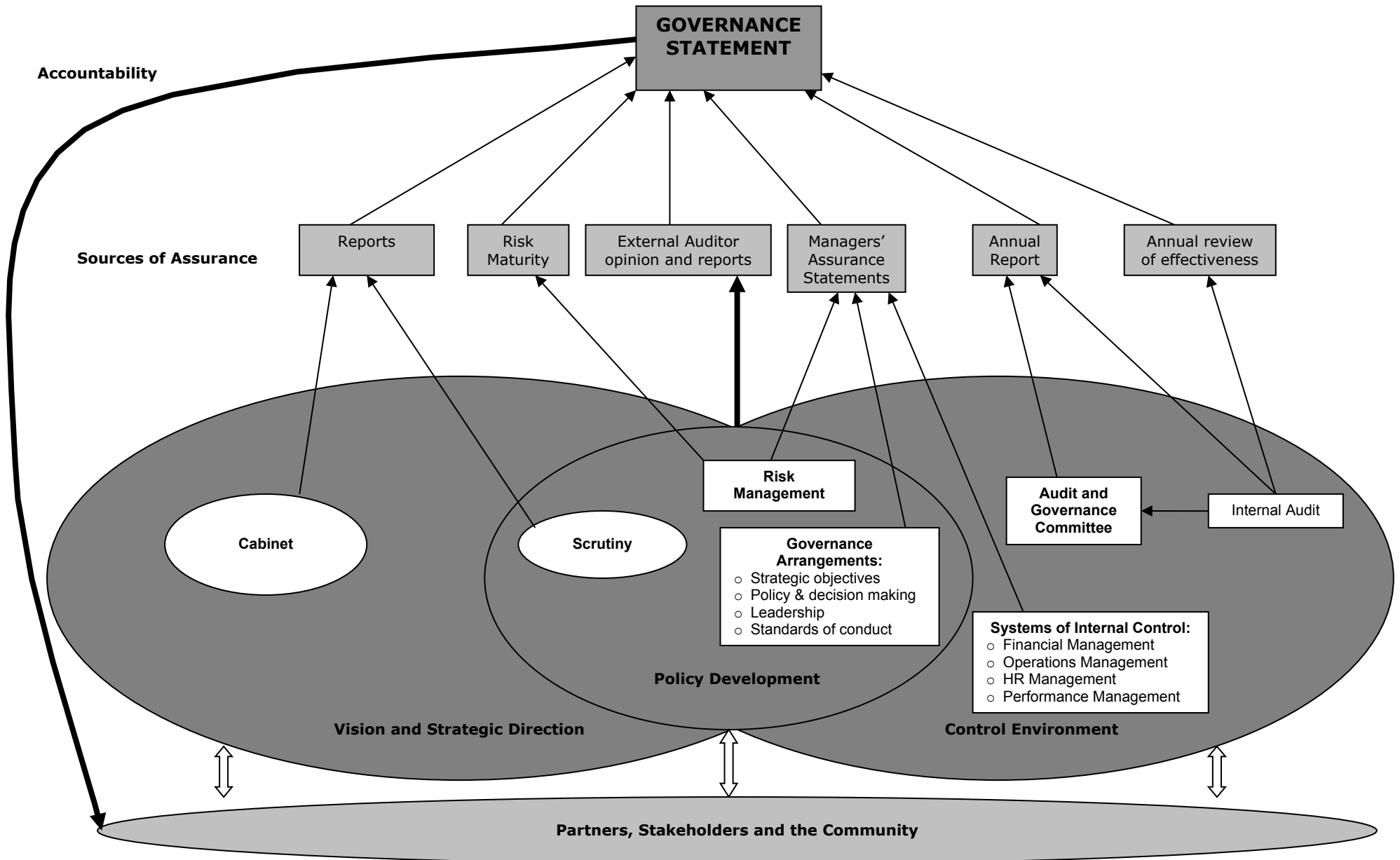
- Appendix 1 – Governance Framework
- Appendix 2 – Annual Governance Statement Timetable
- Appendix 3 – Managers' Assurance Statement
- Appendix 4 - Annual Governance Statement

10 Background papers

- 10.1 Annual Report on the Council's Systems of Internal Control 2018/19

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APPENDIX 1



APPENDIX 1

Appendix 2

ANNUAL GOVERNANCE STATEMENT TIMETABLE

Deadline	Responsibility	Action
Throughout year		1/4ly updates of the Strategic Risk Register
	Internal Audit Manager	Internal Audit reports
	BDO	External Audit reports
	All Managers	Management reports
		Other sources of assurance
April/May	All Managers	Managers Assurance Statements completed (to include RIPA statement)
	Chief Finance Officer	Preparation of the Annual Governance Statement
	CMT	Annual Governance Statement considered
June/July	Internal Audit Manager	Internal Audit Annual report presented to Audit Committee
	Internal Audit Manager	Internal Audit Annual report presented to Audit Committee
	Chief Finance Officer, Leader and Chief Executive	Annual Governance Statement signed by Leader and Chief Executive
	Audit Committee	Annual Governance Statement published

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APPENDIX 3 – Managers’ Assurance Statement and Governance Statement for the Corporate Management Team.

Governance Responsibility	Demonstrated by:
Services are planned and managed to implement the priorities of Eastbourne Borough Council.	<ul style="list-style-type: none"> • Service plan aligned to the Council’s priorities • Plans in place to monitor the quality of service to users and seek continuous improvements • Making best use of resources to ensure excellent service and value for money is achieved • Dealing effectively with any failures in service delivery.
There are good working relationships with Members and officers responsibilities are clearly defined.	<ul style="list-style-type: none"> • Statutory Officers have clearly defined scope and status to fulfil their roles • Delegated powers are clearly defined and understood • Member/officer protocol operates effectively in practice • Partnership governance arrangements are clearly defined and appropriate
The values of good governance are demonstrated and high standards of conduct and behaviour.	<ul style="list-style-type: none"> • Effective communication to all staff of the code of conduct, standing orders, Financial Procedure Rules, Contract Procedure Rules and Anti Fraud and Corruption Policy • Effective performance management of staff and regular appraisals • The Council’s values are understood and promoted
Management decision making and advice to Members are well founded and involve consideration of professional advice and identified risks.	<ul style="list-style-type: none"> • Effective arrangements to ensure data quality (complete, accurate, timely and secure) • The internal control framework operates effectively • Professional advice is obtained where appropriate and is recorded • Risk management operates effectively in strategic, project and operational areas • Decisions made are in accordance with delegated powers and the Council’s constitution • Arrangements are in place to obtain assurance on the management of key risks

APPENDIX 3 – Managers’ Assurance Statement and Governance Statement for the Corporate Management Team.

<p>The capacity and capability of officers has been developed to ensure effective performance.</p>	<ul style="list-style-type: none"> • Training and development of staff • Workforce planning to ensure there are adequate staffing levels • Statutory officers have sufficient resources to fulfil their role
<p>Robust public accountability is ensured by engaging with local people and stakeholders</p>	<ul style="list-style-type: none"> • Arrangements to communicate with relevant sections of the community • Undertaking effective consultation with public and other stakeholders • Consultation with staff and engagement in decision making is undertaken
<p>Adequate processes have been put in place for the safeguarding of children and vulnerable adults.</p>	
<p>Adequate action has been taken to ensure compliance with the requirements of the Bribery Act.</p>	<ul style="list-style-type: none"> • Proportionate procedures have been put in place to prevent bribery • The risks of bribery have been assessed and added to the departmental risk register • Procedures and risks are regularly monitored and reviewed.
<p>Are you satisfied that documents are held and disposed of in accordance with data protection requirements and the Councils' Retention and Disposal Schedule?</p>	
<p>Has any external review been carried out in your department?</p>	
<p>Have you had reason for using/considering using surveillance which would fall under RIPA?</p>	
<p>Have you used or considered using covert/directed surveillance either under RIPA or outside it?</p>	
<p>Are you aware of any frauds over £10k that have not already been informed to the Internal Audit section.</p>	

SIGNIFICANT GOVERNANCE ISSUES 2018/19

The Managers’ Assurance Statement will help you consider whether there are any significant governance issues which have occurred in 2017/18 and which may be considered appropriate for inclusion in the Council’s Annual Governance Statement. Please identify any Significant Governance Issues.

Guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) indicates that a single definition of a significant governance issue is not possible. Officers will need to exercise judgement in deciding whether or not a particular issue should be regarded as falling into this category. Factors which may be helpful in exercising this judgement include:

- The issue has seriously prejudiced or prevented achievement of a principal objective.
- The issue has resulted in a need to seek significant additional funding to allow it to be resolved, or has resulted in significant diversion of resources from another aspect of the Council.
- The issue has led to a material impact on the accounts.
- The Audit and Standards/Governance Committee has advised it should be considered significant for this purpose.
- The Head of Audit and Counter Fraud has reported on it as significant for this purpose in the annual opinion on the internal control environment.
- The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the Council.
- The issue has resulted in formal action being undertaken by the Section 151 Officer and/ or Monitoring Officer.

Can I ask that you also complete the following statements for Lewes District Council and Eastbourne Borough Council separately.

APPENDIX 3 – Managers’ Assurance Statement and Governance Statement for the Corporate Management Team.

LEWES DISTRICT COUNCIL

There ARE/ ARE NO (delete as appropriate) significant governance issues which I consider require reporting in the Lewes District Council Annual Governance Statement for 2018/19.

Significant Governance issue	Action required/ proposed

EASTBOURNE BOROUGH COUNCIL

There ARE/ ARE NO (delete as appropriate) significant governance issues which I consider require reporting in the Eastbourne Borough Council Annual Governance Statement for 2018/19.

Significant Governance issue	Action required/ proposed

Any Significant Governance Issues or other concerns you have raised in the Management Assurance Statement will be considered by Corporate Management Team as a whole as to whether they are included in the Annual Governance Statement.



Annual Governance Statement

Scope of responsibility

Lewes District Council is responsible for ensuring that its 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.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Lewes District Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is available on the website (www.lewes-eastbourne.gov.uk/access-to-information/financial-information/corporate-governance)

This statement explains how the Council has complied with the code and also meets the requirements of Part 2, 6(1) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

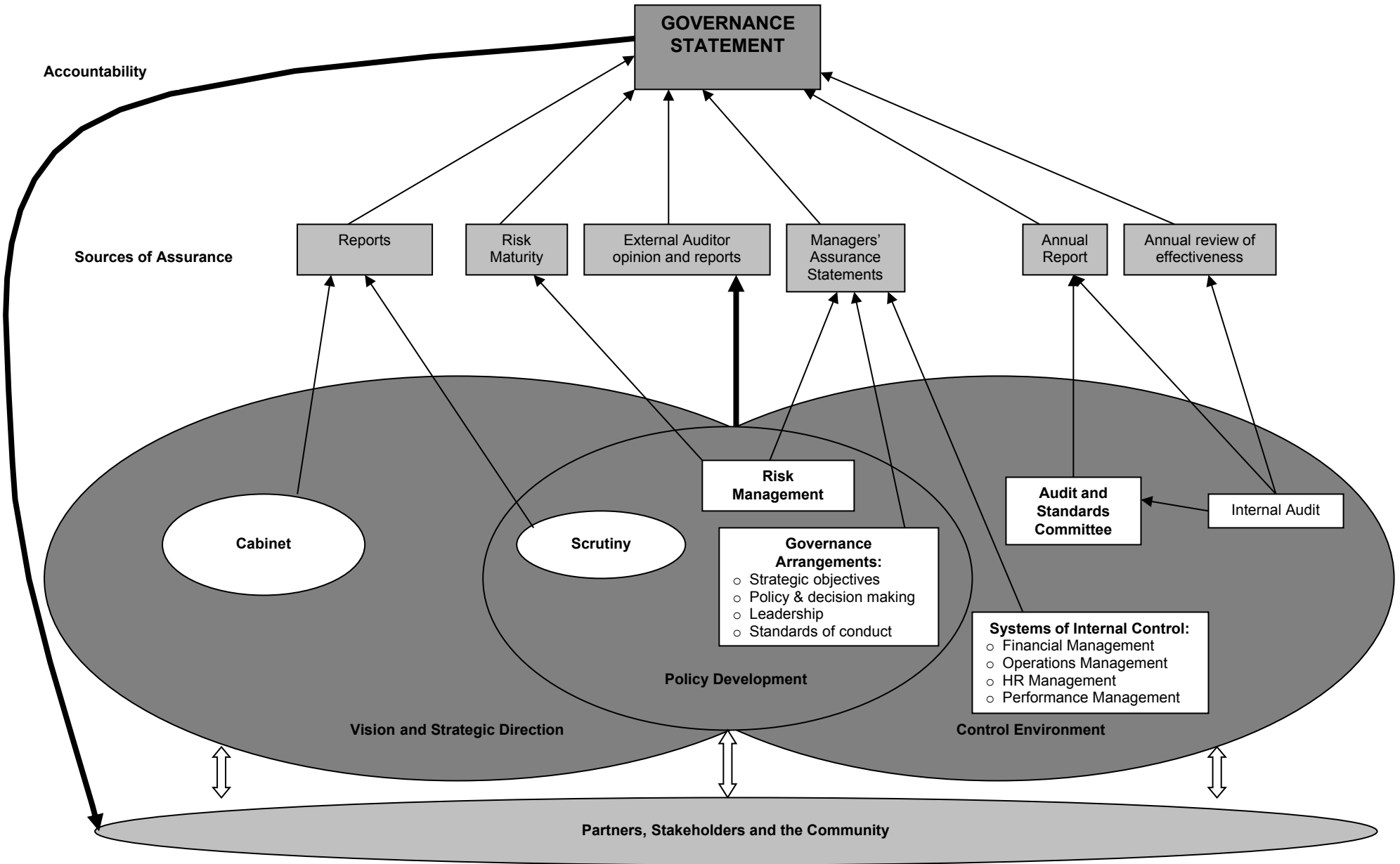
The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it is accountable to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2019 and up to the date of approval of the Annual Reports on financial Outturn and performance and Statement of Accounts.

THE GOVERNANCE FRAMEWORK



THE GOVERNANCE FRAMEWORK

The diagram of the governance framework at Lewes District Council demonstrates how the information concerning the needs, requirements and views of partners, stakeholders and the community are used in decision making processes across the authority and eventually feeds into the Annual Governance Statement as part of our accountability to the community.

Key elements of the systems and processes that comprise the authority's governance arrangements are described below.

The Council approved the new Corporate Plan for 2016-20 In February 2016. The new plan builds on the work of the previous one and has been the subject of extensive consultation with local residents and stakeholders. The overarching corporate priority themes remain unchanged but the vision statements going forward have been refreshed and updated, and are underpinned by both new and continued priority projects going forward. These priorities have been chosen both as a result of consultation responses received and also in respect of the current economic climate and data demonstrating Lewes's standing on a local, regional and national comparative basis.

The plan is reviewed annually with high level public consultation exercises taking place to re-test the top priorities ahead of a refresh of the plan. The plan was updated in July 18. Each year the plan is approved by full Council. The Corporate Plan is available to view on the Council's website.

The priorities listed in the Corporate Plan are set up as programmes and key projects / activities feeding into these are specified. Each project is allocated an owner and the relevant objectives, milestones, performance indicators, planned activities and time tables are identified. All this information is uploaded into performance management software to allow for ease of monitoring and reporting. This is then regularly updated with information about progress against the objectives. There are monthly monitoring management and intervention arrangements in place through the Corporate Management Team and Scrutiny in addition to quarterly reporting to Cabinet.

The Council is required to hold a written constitution under the provisions of the Local Government Act 2000. The constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to the people it serves. The Council's current constitution has been the subject of update and amendment since that time. Some of the content of the constitution is required by law and other content is for the Council itself to determine. There is also a raft of legislation which is reflected in the constitution e.g. Access to Information. The constitution also details the responsibility for functions and roles across the Council including Council, Cabinet and committees

(see “The Modernised Political Structure – How It Works” diagram). It also contains a Scheme of Delegation which allows officers to take decisions on behalf of the Council. The responsibilities of each officer are clearly documented.

Standards of behaviour and conduct of Members and staff are laid down in relevant sections of the constitution. Other relevant policies include the Anti Fraud and Corruption Policy (containing sections on Whistleblowing and the Bribery Act), disciplinary and grievance procedures and the Dignity at Work Policy. The Monitoring Officer and the Standards Panel have responsibility for considering complaints against Members. All policies and guidance are available to staff and Members on the Council’s intranet.

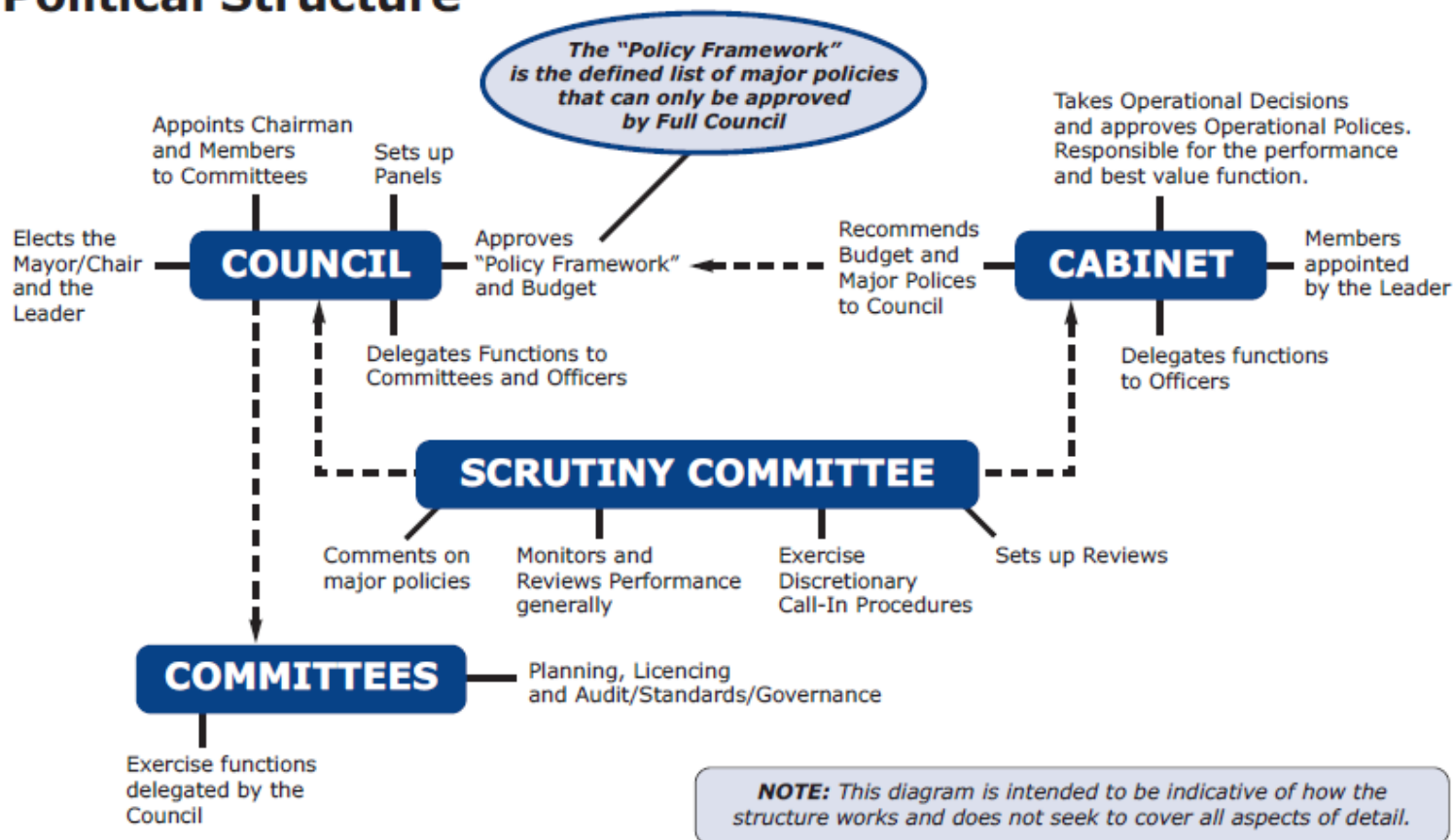
All aspects of the decision making framework, including schemes of delegation, are contained in detail in the Council’s constitution and summarised in the articles of the constitution. The content of this document is specifically ratified each year by the annual meeting of the Council. Any proposed changes to the Council’s constitutional rules and delegations can be considered at any time, drafted, and put to the next available Council meeting for decision. Different elements of the constitution are owned by the Monitoring Officer and the Section 151 Officer as relevant. The Constitution is published in full on the Council’s website.

The Council holds a Risk Management Strategy which sets out the way in which risks are to be identified, scored and recorded. This strategy is reviewed annually. Project, operational, departmental and strategic risk registers are now held on performance management software so that they can be updated regularly by managers who have complete ownership and responsibility for reviewing and updating the registers. The Strategic Risk Register is reviewed by the Corporate Management team quarterly.

The terms of reference for the Audit and Standards Committee include the requirement to review the effectiveness of the Council’s arrangements for identifying and managing risks, internal control environment and corporate governance arrangements.

How it Works...

The Modernised Political Structure



The Council holds an Anti-Fraud and Corruption Policy which contains sections on Whistleblowing, Anti Money Laundering and the Bribery Act. This is reviewed annually to ensure that it is kept up to date. The Council has a Counter Fraud team which proactively seeks out cases of fraud across all areas of the Authority. The Council also participates in the biennial National Fraud Initiative programme which seeks to identify fraud by matching data with other authorities and agencies. An overview of these areas is set out in the terms of reference for the Audit and Standards Committee.

During the financial year the Council continued with its Joint Transformation Programme. However, it was reaching its conclusion at the year end. This programme was intended to create a more flexible, customer focussed and cost effective way of delivering services across Eastbourne Borough and Lewes District Councils. These changes were implemented to improve customer service and reduce costs by enabling each authority to reach their savings targets by 2020. The programme was agreed by the Cabinet at each authority and overseen by a cross party project board from both authorities. The programme was also overseen by senior management and Members, and was managed using established project management tools.

The Chief Finance Officer and s.151 Officer role is a member of the Council's Corporate Management Team. In this position the Chief Finance Officer and s.151 Officer has input into developing and implementing strategies and advising on financial resources. The Chief Finance Officer and s.151 Officer is responsible for developing the authority's financial strategies and will consider business decisions in line with these. The Chief Finance Officer and s.151 Officer manages the Finance and Internal Audit teams and is a suitably qualified accountant. The Council therefore conforms with the governance arrangements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Council holds Financial Procedure Rules and monthly budget monitoring meetings are held by Finance staff with managers responsible for budgets. Financial performance is reported regularly to Members.

The Chief Internal Auditor proposes a risk-based audit plan for the year which is discussed with, and agreed by, the Corporate Management Team and the Audit and Standards Committee. It is ensured that the scope of the plan is sufficient to allow the Chief Internal Auditor to be able to use the evidence gained during the year to base the opinion of the control environment upon at the end of the year. Each audit review carried out during the year is given an assurance rating based on the risks and controls in operation in that area. Each of these is taken into consideration when the annual report of the work of Internal Audit is written and feeds into the overall opinion of the control environment operating at the Authority.

The Chief Internal Auditor undertakes an annual review of the Internal Audit function which assesses the function against the Public Sector Internal Audit Standards. The results of this self-assessment and any non-conformity with the standards is reported to the Audit and Standards Committee.

The role of Monitoring Officer sits with the post of Assistant Director of Legal and Democratic Service. As monitoring officer, the post has appropriate autonomy and/or a direct reporting line to the Chief Executive. The function is also supported by a designated deputy and a network of officers trained in investigative procedures. Reporting line to members is to a specifically constituted Standards Sub Committee which in turn reports to the Council's Audit and Standards Committee.

The Council has established an Audit and Standards Committee. The committee generally conforms to the best practice identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities". Its terms of reference include:

- To receive reports on and to monitor the operation of the Council's constitution;
- Have an overview on the Council's whistleblowing policy;
- Deal with audit or ethical standards issues which may arise;
- Carry out independent scrutiny and examination of the Council's processes, procedures and practices with a view to providing governance arrangements and risk and financial management;
- Meet the requirements of the Audit and Account Regulations Act 2015;
- Consider reports from the external auditors;
- To make recommendations to Council, the Cabinet or Scrutiny as appropriate with a view to improving the effectiveness, accountability and transparency of the decision making process and the Council's governance arrangements;
- Promoting and maintaining high standards of conduct within the Council and monitoring the operations of the Council's codes of conduct and registers of interest.

The Council holds a Whistleblowing Policy which forms part of the Anti-Fraud and Corruption Policy. This clearly sets out how concerns raised should be handled, recorded and reported. The Authority also has a Comments, Compliments and Complaints procedure. The public may contact the Council with a complaint via telephone, email, letter or online. A page on the website clearly explains the process. Complaints are managed and monitored using performance management software. Similarly the public can make complaints about Councillors. Information on how to do so can also be found on the website. These complaints are handled by the Monitoring Officer.

When there is a change of administration or a raft of new Councillors then a general induction programme is organised. Annually the leaders of the parties will discuss with members any specific training or development needs. Human Resources will then put together a programme of training events for Members to attend. There are also statutory updates. Senior officers have annual appraisals at which any training and development needs are identified. Some of this may be necessary CPD (continuing professional development) required for professional memberships.

Annual bespoke consultation is designed each year alongside the Corporate Plan, budget and service planning processes jointly owned by senior management and Scrutiny. This consultation uses a variety of methods including social media, online surveys, presentations to groups and open public sessions to test the proposed priority projects in the annual refresh of the Corporate Plan.

Other communications include:

- Comprehensive consultation on corporate priority themes and goals prior to the publication of each new 5-year Corporate Plan.
- Monthly electronic communiqué to a list of free subscribers (business partners and community groups) providing updates on progress of major projects.
- Frequent engagement with equality groups – DIG (Disability Involvement Group), Faiths Forum and Bourne-Out.
- A new scheme “Talk with Us” has been put together whereby ward Councillors in partnership with neighbourhood officers from other agencies (e.g. Police and Housing agencies) will visit communities for direct contact. Estate audits will also be carried out and all observations will be fed back into relevant projects at the Council.
- Annual Youth Fair to bring together agencies that provide services and activities with the youth of the town to increase awareness.
- Standing items on Cabinet and committee agendas enabling public rights of address on items to be discussed and/or open questions by members of the public.
- Improving service delivery from the Council with the introduction of the Neighbourhood First Team which has regular community contact and feedback surgeries.

All working partnerships have previously been the subject of equality impact assessments and are properly constituted. Elected member representatives appointed annually by full Council and listed in the Council’s constitution.

REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following elements:

Internal Audit and Counter Fraud

The Council's Internal Audit section is an independent assurance function that reports on the adequacy of the whole system of internal control across the Authority.

From July 2017 this service has been provided by a shared service between Eastbourne Borough Council and Lewes District Council.

The Chief Internal Auditor carries out an annual self-assessment of the Audit function and states that the section generally conforms with the Public Sector Internal Audit Standards (PSIAS). During the financial year 2016-17 an external peer review has been carried out and this also concluded that the work of the section generally conforms with the standards. This was reported to the Audit and Standards Committee.

Quarterly and annual reports on the work carried out by the Internal Audit function are considered by both the Corporate Management Team and the Audit and Standards Committee. The "audit opinion" of the control environment, including IT governance, given in the annual report feeds into the Annual Governance Statement.

The opinion of the Chief Internal Auditor, as noted in the annual report on the work of Audit, was that the internal controls in processes and IT systems across the authority were generally found to be sound.

The Council has a strong counter fraud culture that is supported by Councillors and officers. The Counter Fraud team works closely with officers in other departments to prevent, detect and investigate fraud, particularly in the areas of housing tenancy fraud, Council Tax fraud and Right to Buy fraud. The outcome of this work helps to inform the opinion of the control environment. The Council works closely with the national Single Fraud Investigation Service (SFIS) in the Department of Work and Pensions to ensure an effective response to cases of Housing Benefit fraud.

The Strategic Risk Register has been adopted by the Audit and Standards Committee. The register is reviewed quarterly by the Chief Internal Auditor

and the Corporate Management Team and any changes are reported to the Audit and Standards Committee.

Managing the Risk of Fraud and Corruption

The Cipfa Code of Practice on Managing the Risk of Fraud and guidance suggests it is good practice to make a statement on the adequacy of an authority's counter fraud arrangements in the annual governance statement.

This code contains five principles:

- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take action

The Chief Internal Auditor is satisfied that the Council meets these principles by having a Counter-Fraud and Audit team who review risks across the authority and direct their work as appropriate. It is therefore considered that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud and uphold its zero tolerance.

Corporate Management Team

The roles of this team are to provide strategic management and planning, oversee priority and budget setting, service planning and performance management. The team provides organisational leadership, engages with Cabinet on strategic issues/direction and, in partnership with members, develops relationships with key stakeholders.

Individual members of the team are responsible for the performance of their relevant department/service area, progress of their relevant portfolio themes and liaison with portfolio holding members.

The Corporate Management Team gives consideration to the Internal Audit Plan, Strategic Risk Register and Annual Governance Statement.

Consideration was given by the Corporate Management Team to any significant non-delivery of strategic objectives, potential exposure to loss through fraud, corruption or error and litigation through non-compliance. No instances were identified as significant governance issues.

Audit and Standards Committee

The Audit and Standards Committee is responsible, amongst other things, to carry out independent scrutiny and examination of the Council's financial and non-financial processes, procedures and practices to the extent that they affect the Council's control environment and exposure to risk. This is with a view to providing assurance on the adequacy and effectiveness of internal

controls, risk, financial and performance management, fraud detection and prevention and the work of Internal Audit.

The Audit and Standards Committee reviews reports submitted by the Chief Internal Auditor including the Annual Governance Statement, Internal Audit provision, all internal audits and the Strategic Risk Register. It also considers the annual financial statements including the Annual Governance Statement in July.

Scrutiny Committee

The Scrutiny Committee meets to review the delivery of services as a result of previous council decisions, the performance of existing policies and strategies, the submission of performance indicators and recommend appropriate courses of action to the Council or Cabinet.

The Scrutiny Committee reviews the delivery of services and performance and supports the work of the Cabinet and the Council as a whole. It allows Councillors outside the Cabinet and members of the public to have a greater say in Council matters by investigating issues of local concern. It also acts as the Council's Crime and Disorder Committee to look at the formulation and implementation of the Crime and Disorder strategies.

Cabinet

The Cabinet appoints the Leader who appoints members of the Cabinet. The Cabinet currently has eight Councillors and meets seven times in the municipal year. Each member of the Cabinet has a portfolio for which they are responsible.

Cabinet can consider the External Auditor's Annual Audit and Inspection Letter and other commissioned reports. It also sponsors and recommends the adoption of the accounts.

Managers' Assurance Statements

One of the sources of assurance for the Annual Governance Statement should come from Senior Managers responsible for the operation, management and monitoring of controls within their area of responsibility. The Managers' Assurance Statement is intended to collect this assurance by covering operational, project and partnership responsibilities as well as the Bribery Act, Safeguarding, RIPA and frauds over £10k. The senior manager can highlight concerns and the necessary actions required to improve governance. Assurance statements are sent out to Directors and Assistant Directors and Heads of Service. Once completed their contents are used to inform the governance statement.

Completed Managers' Assurance Statements were returned from Directors, Assistant Directors and Heads of Service. Many statements contained minor concerns around the impact of the Joint Transformation Programme. These included: aligning policies, training staff, resource issues, developing new teams and building a joint culture.

The Corporate Management Team was asked to consider whether any of these individual issues or the Joint Transformation Programme as a whole should be noted as a significant governance issue or just noted in the body of the Annual Governance Statement.

During the financial year the Council continued with its Joint Transformation Programme. However, it was reaching its conclusion at the year end. This programme was intended to create a more flexible, customer focussed and cost effective way of delivering services across Eastbourne Borough Council and Lewes District Councils. The inherent risks of the programme were recognised throughout and every effort made to mitigate these risks. Now that the programme is reaching its conclusion a review of outcomes is being undertaken. A Supporting Change Steering Group has also been set up to support services going forward giving an overview to all projects and new systems with a view to understanding costs, benefits, impacts and resources. It was therefore agreed that this should appear in the body of the Annual Governance Statement but not as a separate significant governance issue.

Asset Management issues were also raised in the Managers' Assurance Statements returned. The Corporate Management Team agreed that an external review had been commissioned that had resulted in a detailed report on the current condition and future of some assets. This report is being reviewed to consider future options.

External Reviews

The external auditor's Annual Audit Letter and other commissioned audit reports are presented to, and considered by, the Audit and Standards Committee.

Reviews carried out by external agencies, e.g. APP; Benefit Performance Review; RIPA inspection, which impact on the governance framework are taken into consideration when preparing the Annual Governance Statement.

SIGNIFICANT GOVERNANCE ISSUES 2018/19

Area	Issue	Action
Housing software	<p>A new system was implemented in December which has not met the outcomes expected.</p> <p>There have been ongoing issues with extra staff resources being diverted to identify and rectify/mitigate issues.</p> <p>Knock on effects have affected the final accounts</p>	<p>The issues have been monitored and mitigating actions put in place as and where necessary.</p> <p>A conversation is ongoing with the supplier to rectify the issues and an action plan is being set up and will be monitored.</p> <p>A review of the implementation and issues will be carried out by Internal Audit in 2019/2020.</p>

STATEMENT

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Audit and Standards Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Signed on behalf of Lewes District Council:

.....
 Leading Member

.....
 Chief Executive

Date:

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Report To:	Audit and Standards Committee
Date:	16 July 2019
Title:	Annual Report on the Council's Systems of Internal Control 2018/19
Report of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To provide a summary of the activities of Internal Audit and Counter Fraud for the year 1st April 2018 to 31st March 2019.
Officer recommendation(s):	To note that the overall standards of internal control were generally satisfactory during the financial year 2018/19
Reasons for recommendations:	The remit of the Audit and Standards Committee includes the duties to agree an Annual Audit Plan and keep it under review, and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the Council's arrangements for identifying and managing risk.
Contact Officer(s)	Name: Jackie Humphrey Post title: Chief Internal Auditor E mail: jackie.humphrey@lewes-eastbourne.gov.uk Telephone number: 01323 415925

1 Introduction

- 1.1** The Chartered Institute of Public Finance and Accountancy (CIPFA) has, with the other governing bodies that set auditing standards for the various parts of the public sector, adopted a common set of Public Sector Internal Audit Standards (PSIAS) that were first applied from 1 April 2013. The PSIAS were updated in March 2017. The updated standards are not materially different from the previous version, and so have not been separately reported to the Committee.
- 1.2** The PSIAS 2017 continue to specify the requirements for the reporting to the Audit and Standards Committee and senior management by the Chief Internal Auditor. These requirements are met via a series of reports, including interim reports to each meeting of the Committee.
- 1.3** Each interim report includes a review of the work undertaken by Internal Audit compared to the annual programme, an opinion of the Chief Internal Auditor on the internal control, risk management and governance environment at the Council, together with any significant risk exposures and control issues, in the period since the beginning of the financial year. .
- 1.4** In September 2015, Cabinet approved a strategy for the development of shared services between Lewes District Council (LDC) and Eastbourne Borough Council (EBC) based on the integration of the majority of council services via a Joint

Transformation Programme (JTP). The formal integration of the Internal Audit and Counter Fraud Teams in both councils took place on 1 July 2017.

- 1.5** Together with a number of other corporate services, the third and final phase of the JTP process has included Audit and Counter Fraud. The results of the consultation process were confirmed in mid-February 2019. The post of Head of Audit and Counter Fraud has been replaced by the post of Chief Internal Auditor which has now been filled. The Audit Manager post has been backfilled and, at the time of writing one interviews had taken place for the one audit vacancy and CMT were being asked for permission to fill the second vacant Auditor post which had been caused by the appointment of the Audit Manager.

2 Internal Control Environment at Lewes District Council

- 2.1** The Annual Report on the Council's Systems of Internal Control for 2017/18 was presented to the July 2018 meeting of the Committee. The report included the opinion of Head of Audit and Counter Fraud (HACF) that the overall standards of internal control are generally satisfactory. This opinion was based on the work of Internal Audit, the internal assurance framework, external reviews, and the Council's work on risk management. In the period since the start of the financial year there has been nothing to cause that opinion to change and there have been no instances in which internal control issues created significant risks for Council activities or services.

3 Internal Audit work 2018/19

- 3.1** This section of the report summarises the work undertaken by Internal Audit, compared to the annual plan that was presented to the Audit and Standards Committee in March 2018.
- 3.2** Table 1 shows that a total of 669 audit days have been undertaken compared to 673 days planned for the year.

Table 1: Plan audit days compared to actual audit days for April 2018 to end March 2019

Audit Area	Actual audit days for the year 2017/18	Plan audit days for the year 2018/19	Actual audit days to date
Main Systems	347	308	450
Central Systems	67	65	65
Departmental Systems	3	87	29
Performance and Management Scrutiny	34	30	11
Computer Audit	5	25	13
Management Responsibilities/Unplanned Audits	101	158	101
Total	557	673	669

- 3.3 *Main Systems:*** The key work has been on the testing of the major financial systems in order to gain assurance on the adequacy of internal controls for the Annual Governance Statement (AGS) and to inform BDO's work on the Council's accounts for 2017/18. The testing was completed and a final report issued. The results contributed to the overall opinion given by HACF (see Section 2 above). The corresponding work for 2018/19 is currently being undertaken.

- 3.4** The work on behalf of BDO to test the Council's HB subsidy claim 2016/17 has been the other main priority and is now complete. BDO had identified the need for significant additional testing to address the issues noted in the 2015/16 claim and other errors noted in the current claim. The timetabled date for BDO to sign off and submit the audited claim was the end of November 2017 but, because of the significant extra work required and BDO's other commitments, the claim was submitted in the last week of September 2018.
- 3.5** The corresponding exercise to test the Council's HB subsidy claim 2017/18 is now the main priority and the work has been underway for some months. The results from the initial sample testing have helped to inform BDO's work on the Council's 2017/18 accounts. BDO identified the need for significant additional testing to address the issues noted in the 2016/17 claim. The timetabled date for BDO to sign off and submit the audited claim was the end of November 2018 but, because of the late start to the exercise and the significant extra work required the claim is still being tested. BDO have stated that they will have no capacity to fully check the work until August 2019 though testing is being passed to them when completed.
- 3.6 *Central Systems:*** An audit of Safeguarding at both councils has been completed by audit personnel in Eastbourne, and a final report has been issued. A final report has been issued for the annual audit of Ethics. The review of joint ventures and Council owned companies has been completed and a draft report has been issued.
- 3.7 *Departmental Systems:*** The audit of Estates Management, incorporating work on the corresponding function at EBC, began in 2017 but was put on hold to free resources for the work on the HB subsidy claim and the testing of the main financial systems - the audit has been completed by audit personnel in Eastbourne and a final report has been issued. An audit of the Licensing of Houses in Multiple Occupation (HMO) has been carried out by personnel in Eastbourne, and a final report has been issued. An audit of the other aspects of Licensing is underway.
- 3.8 *Performance and Management Scrutiny:*** The initial work in this category was the review of the data that supports the Annual Governance Statement (AGS) for 2018, with the main task being the examination of the revised Strategic Risk Register.
- 3.9 *Computer Audit:*** Internal Audit has examined the IT aspects of the main financial systems, and is examining the controls over the implementation of the CX Housing Management system. An audit of Cyber Security is at the planning stage.
- 3.10 *Management Responsibilities/Unplanned Audits:*** This category provides resources for activities such as support for the Audit and Standards Committee, managing the Counter Fraud Team, liaison with BDO, managing the Follow Up procedures, as well as for special projects or investigations.
- 3.11** CMT requested Internal Audit to carry out an assurance review to support the establishment of the newly configured Health and Safety (H&S) service. The review includes site visits to two key service areas – the Eastbourne Crematorium and the Waste and Recycling (W&R) service for LDC. A final interim report was issued on the W&R aspects of the review, and the results of the H&S review of the crematorium have been included in a draft report that also covers other aspects of the Bereavement Services at the location. Internal Audit has also carried out a review of the management of statutory building compliance at both councils; an interim report was issued in June 2018, with a final report issued during October

2018. HACF is currently engaged in a series of governance and risk management reviews with the Chief Finance Officer.

4 Peer Review

- 4.1** The External Peer Review of LDC Internal Audit has been completed. The review was carried out by the Principal Auditor at Chichester District Council and the results were reported to the September 2018 meeting of the Committee. The overall results of the review were that the LDC Internal Audit service generally conforms to the standards set by PSIAS 2017.
- 4.2** The Peer Review examined the service in four key sections – Purpose and positioning; Structure and resources; Audit execution; Impacts – comparing service activities to the statements of good practice contained within the PSIAS. The review also took account of the results from the client questionnaires sent to CMT, Heads of Service and the Chair of the Audit and Standards Committee.
- 4.3** The review found that the Internal Audit service fully complies with 43% of the statements of good practice and, for the remainder, complies with the PSIAS requirements in all material respects. The exceptions were in areas such as annual appraisals, succession planning, and the rotation and technical development of audit staff who are not professionally qualified. No remedial action is planned because the service complies with Council policies in these areas, but these do not meet PSIAS requirements in all respects.
- 4.4** Where the service is planning remedial action is in completing the audit manual which is in the processing of being re-worked following the merger with Eastbourne Borough Council. The work is underway, and includes the procurement of the Pentana audit management system, but no target date for completion has been set.

5 Review of 2018/19 Audit Plan

- 5.1** As part of the report to the March 2018 meeting of the Committee that detailed the Annual Audit Plan, HACF advised that there would be a nine month review of the Audit Plan for 2018/19 to assess whether any significant changes are necessary.
- 5.2** That review has taken place and the results of the review were presented to the January 2019 meeting of the Committee. The review took account of a range of issues including the significant extra work on the HB subsidy claim, the loss of audit days due to sickness, and the extra days worked by HACF. There has been a significant impact on the number of days available to complete the audit programme for 2018/19, and there has been a need to re-assign some tasks.
- 5.3** HACF advised that the significant aspects of the annual audit plan would be covered, but with a small number of audits scheduled into the Annual Plan for 2019/20. Other audits in the programme for 2018/19 that are planned or underway will continue to a normal conclusion. A number of these audits may run on into the early months of 2019/20.

6 Combatting Fraud and Corruption

National initiatives

- 6.1** The 2018 National Fraud Initiative (NFI) exercise is underway, with the Counter Fraud Investigations Manager in Eastbourne taking the coordination role for both councils. The matches were received in February 2019, with 1654 matches for LDC across 55 reports. Each report sets out different types of potential fraud among benefit claimants, housing tenants, and anyone receiving payments or discounts from the Council. There is a targeted approach to the examination of matches to identify those that indicate the greatest likelihood of fraud or significant error. So far, 333 matches have been closed with no errors or frauds identified. A further 42 matches are currently being examined.

Local initiatives

- 6.2** The Investigation Team is a member of the East Sussex Fraud Officers Group (ESFOG), a body that enables information sharing and joint initiatives with neighbouring authorities on a wide range of counter fraud work. Since 2014/15, a sub group of authorities within ESFOG, including LDC and EBC, have been working as a 'Hub' to coordinate new counter fraud initiatives across East Sussex.
- 6.3** The Hub has been administered by officers at Eastbourne, with input from ESFOG partners as appropriate. Lewes and Eastbourne Counter Fraud activities have benefitted from Hub funding in the provision of training, the introduction of a shared case management system, a shared approach to publicity for Hub activities, and the set-up of an on-line system to allow the public to report suspected frauds.
- 6.4** Hub funds have been set aside to cover known future commitments, with the balance divided among members to fund local Counter Fraud initiatives. The Hub still meets quarterly or as and when required.

Counter Fraud Team

- 6.5** At present, countering housing tenancy fraud and abandonment, and preventing RTB fraud, are the main operational priorities for the Counter Fraud Team at Lewes because of the evidence of this being a high risk area for the Council. There are 23 cases of suspected abandonment and/or subletting under investigation, plus three of suspected housing application fraud. Six properties have been returned to stock after joint action by officers in Housing, Legal Services and Counter Fraud to address cases of abandonment or anti-social behaviour. Further property returns are anticipated in current cases where evidence gives a strong indication that the tenant no longer lives at the property. One case of abandonment has been referred to Legal Services for preparation for court action.
- 6.6** Since April 2018, 31 new RTB applications have been received for checking to prevent fraud and protect the Council against money laundering. In the same period, 25 RTB applications have been approved and passed for processing. In the same period, nine RTB applications have been withdrawn or closed after intervention by the team. The team will assess these applications to determine whether the cases indicate potential fraud. Two cases of suspected RTB fraud are under investigation, and one of these cases has been referred to Legal Services for preparation for court action.

6.7 Audit and Counter Fraud has in place an agreement with DWP for the management of cases of HB fraud. The major work on each HB case is the responsibility of the national Single Fraud Investigation Service (SFIS) within DWP. LDC retains a role in referring cases of suspected HB fraud to SFIS and handling requests for information. A member of that Eastbourne Counter Fraud team and a member of the HB team share the DWP liaison work for LDC, and this arrangement allows the Lewes Counter Fraud team to focus on case work in other areas. In the period since April 2018, there have been 15 referrals to SFIS, and 37 information requests have been actioned.

7 Risk Management

7.1 Cabinet approved the Risk Management Strategy in September 2003. Since then risk management at the Council has been developed via a series of action plans, with the result that all the elements of the risk management framework set out in the strategy are in place and are maintained at best practice standards.

7.2 The Annual Report on Risk Management and the Strategic Risk Register was presented to the March 2018 meeting of the Committee. The report recommended a change to the circulation of the report, with the Committee becoming the principal recipient of the Strategic Risk Register. The risk management process has identified that most risks are mitigated by the effective operation of controls or other measures. However, there are some risks that are beyond the Council's control, for example a major incident, a 'flu' pandemic, a downturn in the national economy or a major change in government policy or legislation. The Council has sound planning and response measures to mitigate the effects of such events, and continues to monitor risks and the effectiveness of controls. The overall satisfactory situation for risk management has helped to inform the opinion on the internal control environment.

7.3 CMT has reviewed the Strategic Risk Register, and the results of the review were reported to the September 2018 meeting of the Committee.

7.4 The December 2018 Cabinet meeting received the draft budget proposals for 2019/20. In summary, the wider economic picture remains challenging and there is no end in sight to austerity for local government. The budget report contained a detailed risk analysis that highlighted a range of financial risks, potential outcomes and possible mitigations in areas such as pay and price inflation, and changes in government legislation. The risks assessed as having a 'High' likelihood and the most significant impact were probable increases in interest rates and their effect on borrowing costs, and the government reductions to retained business rates.

7.5 The February 2019 Cabinet meeting received updated reports on the Council's financial performance and, following wide consultation on the draft budget, the formal budget proposals for 2019/20. The budget report included the conclusion that 'The Council is reasonably placed financially to meet the demands on its services as well as the reductions in Government support. However, the challenge over the medium term is profound and more change is necessary to move to a sustainable position. The Council is more dependent on commercial activity than it has ever been and this requires a high level of monitoring and risk management.'

8 System of management assurance

8.1 The Council operates a management assurance system, which enabled senior officers to confirm the proper operation of internal controls, including compliance with the Constitution, in those services for which they are responsible. As part of this process senior managers are required to consider whether there were any significant governance issues during 2017/18. None were reported and, at its meeting on 26 June 2018, CMT confirmed that there were no significant governance issues to report.

9 Corporate governance

9.1 The Council is required to produce an Annual Governance Statement (AGS), which outlines the main elements of the Council's governance arrangements and the results of the annual review of the governance framework including the system of internal control. The draft AGS for 2018-19 is presented as a separate report to this meeting of the Audit and Standards committee.

10 External assurance

10.1 The Government relies on external auditors to periodically review the work of the Council to make sure it is meeting its statutory obligations and performing well in its services. The Council's external auditors are from April 2018 for a period of five years. No reports have yet been received from Deloitte. Below the reports of BDO for the year financial year 2017-18, which were issued in the financial year 2018-19, have been summarised.

10.2 Audit Completion Report (September 2018) – This report summarised the key issues from work carried out by BDO during the year ended 31 March 2018. When the report was published it represented an interim position because BDO were in the process of completing the audit – the Council had not prepared the draft and final Statement of Accounts in accordance with the new statutory deadlines. The interim key issues highlighted in the report overview section were:

- BDO had not identified any significant audit risks since the presentation of their Audit Plan in February 2018, and there were no significant changes to the planned audit approach.
- BDO had not identified any material misstatements, although the audit was still in progress and could result in audit differences.
- BDO were satisfied that, despite the recognised funding gap in the Medium Term Financial Strategy (MTFS), the Council has appropriate arrangements to remain financially sustainable over the period of the MTFS. All the required savings for 2018/19 had been identified.
- BDO anticipated issuing an unmodified opinion on the arrangements to secure economy, efficiency and effectiveness in the use of resources.
- Subject to successful completion of outstanding work, BDO anticipated issuing an unmodified opinion on the Council's financial statements, and on the consistency of other information in the Statement of Accounts with the financial statements.

10.3 Grant Claims and Returns Certification for year ended 31 March 2017 (November 2018). The key points were:

- The audit of the HB subsidy claim identified a high level of errors within the cases tested. This situation, together with the prior year issues identified in the previous audit, required a significant amount of extra testing comprising ten samples of 40 cases, and 100% testing of 129 non-HRA cases.
- The additional work required to be completed by BDO and the Council meant that the audit was completed and a qualified certification issued on 28 September 2018, significantly later than the national deadline of 30 November 2017.
- The claim was valued at £35,127k. The audit identified the need for five different types of amendments to the claim totalling £49k. Because the total level of errors was below the allowed threshold, this did not result in further changes to the total amount of subsidy claimed. A final adjustment of the claim resulted in an increase of £678.
- The review of the returns for the Pooling of Housing Capital Receipts was completed satisfactorily without amendment or qualification. Total receipts were recorded as £1,964k, of which £408k was payable to DCLG.

11 Managing the Risk of Fraud and Corruption

11.1 Cipfa suggests it is good practice to make a statement on the adequacy of an authority's counter fraud arrangements in the annual governance report. Cipfa has published a Code of Practice on Managing the Risk of Fraud and Corruption which contains five principles:

- Acknowledge responsibility
 - Identify risks
 - Develop a strategy
 - Provide resources
 - Take action

11.2 Having considered all the principles the Chief Internal Auditor is satisfied that the Council meets these by having fully resourced Counter-Fraud and Audit teams who review the risks across the authority and direct their work as appropriate. It is therefore considered that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud and uphold its zero tolerance policy.

12 Annual Governance Statement and Opinion of the Chief Internal Auditor.

12.1 The work of the Internal Audit and Counter-Fraud teams referred to in this report has been used as the basis for the opinion of the overall effectiveness and adequacy of the internal control environment along with other ad hoc work undertaken by auditors.

12.2 Considering the findings it is the opinion of the Internal Chief Internal Auditor that internal controls in processes and IT systems across the authority were generally found to be sound.

- 12.3** There is an exception to this opinion in respect of the new Housing Management software. This is specifically dealt with in the Annual Governance Statement report.
- 12.4** This opinion feeds into the Annual Governance Statement which is reported separately to this committee.

13 Conforming with the Public Sector Internal Audit Standards

- 13.1** The Public Sector Internal Audit Standards (PSIAS) came into effect from 1st April 2013. The work of the Internal Audit section is annually assessed for compliance against the standards. This is an internal self-assessment.
- 13.2** A checklist for compliance has been completed and it is found that the Internal Audit function is “generally conforming” to the standards. Conformance remains at about 99% of the points listed in the standards.
- 13.3** The variances are in minor areas such as appraisals where Council procedures differ slightly from the standards.
- 13.4** It is therefore the opinion of the Chief Internal Auditor that the Council’s Internal Audit Service generally conforms with the standards.
- 13.5** The standards require an external review to be carried out at least every five years. This review was carried out by Chichester District Council and the results reported to the Audit and Standards Committee at the September 2018 meeting. The overall results were that the Internal Audit service at Lewes District Council generally conforms to the standards set out in the PSIAS.
- 13.6** The Internal Audit team has maintained its independence throughout 2018/19 in accordance with the Audit Charter.

14 Financial Appraisal

- 14.1** There are no financial implications arising from the recommendations in this report other than those already contained within existing budgets.

15 Legal Implications

- 15.1** This report demonstrates compliance with regulations 3 and 5 of The Accounts and Audit Regulations 2015.
- 15.2** Regulation 3 requires the Council to ensure that it has a sound system of internal control which—
- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
 - (b) ensures that the financial and operational management of the authority is effective; and
 - (c) includes effective arrangements for the management of risk.

15.3 Regulation 5 requires the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

Lawyer consulted 13.06.19

Legal ref: 008346-LDC-OD

16 Risk Management Implications

16.1 If the Council does not have an effective risk management framework that is subject to proper oversight by Councillors it will not be able to demonstrate that it has in place adequate means to safeguard Council assets and services, and it could be subject to criticism from the Council's external auditor or the public.

17 Equality analysis

17.1 An equalities impact assessment is not considered necessary because the report is for information only and involves no key decisions.

18 Appendices

None

19 Background Papers

Audit reports issued throughout the year.