



Audit and Standards Committee

Date and Time - Monday 6 December 2021 – 6:30pm

Venue - Council Chamber, Town Hall, Bexhill-on-Sea

Councillors appointed to the Committee:

A.K. Jeeawon (Chairman), J. Barnes, Mrs M.L. Barnes, P.C. Courtel, K.M. Harmer, Mrs E.M. Kirby-Green, C.A. Madeley and R.B. Thomas.

Audit Independent Person: Mr Patrick Farmer

AGENDA

1. MINUTES

To authorise the Chairman to sign the minutes of the meeting of the Audit and Standards Committee held on 27 September 2021 as a correct record of the proceedings.

2. APOLOGIES FOR ABSENCE

3. ADDITIONAL AGENDA ITEMS

To consider such other items as the Chairman decides are urgent and due notice of which has been given to the Head of Paid Service by 12 Noon on the day of the meeting.

4. DISCLOSURE OF INTERESTS

To receive any disclosure by Members of personal and disclosable pecuniary interests in matters on the agenda, the nature of any interest and whether the Member regards the personal interest as prejudicial under the terms of the Code of Conduct. Members are reminded of the need to repeat their declaration immediately prior to the commencement of the item in question.

PART A - STANDARDS REPORTS

5. CODE OF CONDUCT COMPLAINTS MONITORING AND OTHER STANDARDS MATTERS (Pages 1 - 8)

6. LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN COMPLAINTS MONITORING (Pages 9 - 12)

This agenda can be made available in large print, Braille, audiotape/CD or in another language upon request.

**For all enquiries please contact
louise.hollingsworth@rother.gov.uk**

PART B - AUDIT REPORTS

7. **REPORT OF THE EXTERNAL AUDITOR, GRANT THORNTON - ANNUAL AUDIT LETTER 2019/20** (Pages 13 - 28)
8. **REPORT OF THE EXTERNAL AUDITOR, GRANT THORNTON - AUDIT FINDINGS REPORT 2020/21 - TO FOLLOW**
9. **REPORT OF THE EXTERNAL AUDITOR, GRANT THORNTON - AUDIT RISK ASSESSMENT 2020/21 - TO FOLLOW**
10. **INTERNAL AUDIT REPORT TO 30 SEPTEMBER 2021** (Pages 29 - 38)
11. **EXTERNAL AUDIT CONTRACT FROM 2023/24** (Pages 39 - 46)
12. **FINANCIAL PROCEDURE RULES UPDATE** (Pages 47 - 90)
13. **WORK PROGRAMME** (Pages 91 - 92)

Malcolm Johnston
Chief Executive

Agenda Despatch Date: 26 November 2021

Invitees in respect of Standards Related Reports only:

Independent Persons: Mr Robert Brown and Mrs Rose Durban.

Parish/Town Councillor Representative(s): Councillors Mrs W.M. Miers and K. Robertson.

Rother District Council

Report to: Audit and Standards Committee

Date: 6 December 2021

Title: Code of Conduct Complaints Monitoring and Other Standards Matters

Report of: Lisa Cooper, Monitoring Officer

Purpose of Report: To receive an update on the number of complaints received and processed and other standards related matters since the last report in June 2021.

Officer Recommendation(s): It be **RESOLVED:** That:

- 1) the Committee formally welcomes Mr Robert (Bob) Brown and Councillor Keith Robertson as the newly appointed Independent Person and Parish and Town Council representative on the Audit and Standards Committee;
- 2) the Monitoring Officer be authorised to amend the Council's Arrangements for Dealing with Member Complaints to include provision for a referral to formal investigation, where appropriate, in cases where Subject Members reject a local resolution proposal; and
- 3) the report be noted.

Introduction

1. This routine report sets out brief details of the complaints received since the Committee's last meeting held in June where complaints were considered; as agreed by the Committee, this report presents cases on a six-monthly rolling basis. It also advises the Committee of other standards related matters arising since the Committee's last meeting.

Membership

Independent Person

2. This meeting will be the first meeting for Robert (Bob) Brown who commenced his four-year Term of Office on 10 July 2021. As part of the induction programme I met with our two IPs in July this year and undertook a case review of all the cases that had been considered since May 2019. This was a useful exercise and gave our new IP a flavour of the issues that had been considered since May 2019.

Parish & Town Council Representative

3. Following the resignation of Councillor David Smedley in May this year, at the Rother Association of Local Council meeting held on 15 July 2021, Parish Councillor Keith Robertson was appointed to the current vacancy created by the resignation.

4. As Members are aware, Rother District Council is the principle authority for the 32 Parish and Town Councils (+ 1 Parish Meeting) across Rother and as such, is responsible for elements of the Standards regime, including the “arrangements” that are put in place for the determination of complaints and the registration of parish councillors’ interests.
5. As a reminder, the role of the Parish and Town Council representatives appointed to the Audit and Standards Committee is to make sure that the Parish and Town Councils are represented throughout discussions and to give a Parish and Town perspective that may not otherwise be known by the other Members serving on the Committee. The two Parish and Town Council representatives, namely Mrs Wendy Miers (Dallington Parish Council) and Keith Robertson (Catsfield Parish Council) are able to attend the June and December meetings as a Member of the Committee for the Part A items. At these meetings they can speak on all matters but have no vote.

Complaints Received

6. Since the last meeting there have been six new Code of Conduct (CoC) complaints made against one District Councillor and five parish or town councillors – all made by fellow councillors. In accordance with the agreed process, as none of the complaints have resulted in an investigation and a finding of fault, these are presented anonymously. The view of one (or both) of the Council’s Independent Persons (IP) was sought and concurred with my proposed action in each case; brief details of each case are provided at Appendix 1.
7. With regard to cases C21/06 and C21/07, Members will see that the recommended outcome for these complaints involved a local resolution in the form of an apology to the Parish Council. In this case, the Subject Member does not believe that they have done anything wrong and that the disclosure of confidential information was made in the public interest and has refused to apologise. The Council’s current arrangements for dealing with Member complaints is silent on this situation and Members may wish to consider what action, if any, the Council takes following a refusal by a Subject Member to cooperate in cases such as these.
8. The Local Government Association published guidance in September this year on complaint handling which states the following:

What are the next steps if the informal resolution does not work?

“.....where a subject member has categorically refused to comply with the proposed resolution, has failed to cooperate or has taken action you consider inadequate then you should consider whether a formal investigation is needed.....”. In deciding on next steps, you should always bear in mind the public interest and your agreed criteria for considering whether a matter needs further investigation.”

9. I have spoken to a neighbouring authority peer and in cases such as these they take no further action, although a letter of disapproval is sent from the Chairman of the Standards Committee.

10. Referring the matter for a formal investigation (if considered serious enough) would result in costs to this authority that are not recoverable. In this particular case, Northiam Parish Council is in a transitional phase and it can take action locally to address some of the issues that have come out of these complaints. I do not believe it would be in the public interest (financially) to pursue an investigation into these particular complaints. As Members are aware, sanctions against Subject Members who are found to be in breach of the Code of Conduct following a Hearing Panel are limited and in the case of Parish Councils, it is up to the Parish Council whether they act on any recommendation.
11. In addition to considering whether an investigation takes place in these cases, the name of the Subject Member who has refused to cooperate could be made public in these reports.
12. If Members are minded to support the prospect of referring a complaint for investigation in these circumstances, in consultation with the Independent Persons, it is recommended that the Monitoring Officer be granted delegated authority to amend the "Arrangements" document to incorporate this provision.
13. During this time, I have also received one non-valid complaint against a District Councillor for alleged poor performance as a Councillor. Alleged poor performance (not being able to resolve a constituent's issue to their satisfaction) is not a matter that can be considered as a Code of Conduct complaint.

Other Standards Matters

Training

14. There has been no formal Member standards-related training undertaken since the last meeting due to time constraints and other priority work. With the appointment and commencement of the new Deputy Chief Executive and Monitoring Officer in January 2022, Lorna Ford, it is hoped that there will be increased capacity in the future in this regard.
15. Bob Brown and I attended the Monitoring Officer Conference in October this year, held remotely, which provided a useful snapshot of the issues across the country.
16. Topics included an update on legal issues including capacity – when does the code actually apply to elected Members; disrespect versus freedom of speech; process and fairness; a presentation from the Centre for Governance and Scrutiny on cultural and governance of local authorities and how these set the tone of an organisation; the perspective of the City Council Monitoring Officer and an optional session for local authorities with parish councils from Jackie Weaver of the Cheshire Association of Local Councils. As reported previously, whilst the benefits of networking and meeting people face to face are lost at remote conferences, attendance was beneficial.
17. It is clear nationally and in our own experience that a significant proportion of complaints originate from the parish and town councils. Improving support to and offering training to our parish clerks and town and parish chairmen may address some of the issues that end up as complaints. Whilst parish and town councils are responsible for their own training and tend to look to the regional

associations for support, more could be done to support our parish clerks and raise the profile of the standards regime across the district.

18. It was also highlighted that the final new LGA Model Councillor Code of Conduct was published in May and guidance issued in July this year. Whilst this Council has agreed to retain our existing code until such times as the Government responds to the Committee on Standards in Public Life's 2019 report and to keep continuity across the other East Sussex authorities, the guidance is a useful reference document for the shared common behaviours expected within our own code. A copy of the guidance can be found at the following link and I will promote to all Members and parish clerks:

<https://local.gov.uk/publications/guidance-local-government-association-model-councillor-code-conduct>

Risk Management

19. The Audit and Standards Committee has a duty to promote and maintain high standards of conduct by Members and co-opted Members of the Council. Monitoring the number of complaints received and the nature of the complaints will enable the Committee to identify any trends and make recommendations for additional training and guidance as appropriate. Failure to do so could result in poor Member conduct, an increase in complaints administration and reputational damage for the Council.

Conclusion

20. The Committee is asked to consider the report and agree any additional recommendations as appropriate.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No
Chief Executive:	Malcolm Johnston		
Report Contact Officer:	Lisa Cooper, Democratic Services Manager and Monitoring Officer		
e-mail address:	lisa.cooper@rother.gov.uk		
Appendices:	Appendix 1 – Member Complaints Summary		
Relevant Previous Minutes:	None.		
Background Papers:	None.		
Reference Documents:	None.		

MEMBER CODE OF CONDUCT COMPLAINTS SUMMARY SHEET

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REF	DATE RECEIVED	COMPLAINANT	SUBJECT MEMBER	NATURE OF COMPLAINT, DECISION AND COMMENT
C21-02	23/07/21	RDC Member	RDC Member	<p>Complaint: An allegation of failing to treat the complainant (and senior RDC officers) with respect at a public meeting, harassment and bringing the office or authority into disrepute by spreading untruthful and defamatory accusations.</p> <p>Decision: Referred for external investigation.</p> <p>Outcome / comment: The allegation of failing to treat the complainant and senior RDC officers with respect and harassment was unfounded. The allegations of bringing the office or authority into disrepute and honesty were inconclusive in the absence of any evidence to support the allegations either way. An offer of external mediation was made to both parties.</p>
C21-03	27/09/21	Bexhill Town Councillor	Bexhill Town Councillor	<p>Complaint: An allegation of sharing confidential internal communications to external third parties.</p> <p>Decision: Local Resolution.</p> <p>Outcome / Comment: The Subject Member apologised to the complainant for sharing the internal communications against the policies and procedures of the Town Council. The Town Council was requested to ensure that adequate information management training was budgeted for and undertaken by all Town Councillors as soon as possible.</p>
C21-04	27/09/21	Bexhill Town Councillor (same complainant as C21-03 above)	Bexhill Town Councillor	<p>Complaint: An allegation of sharing confidential internal communications to external third parties.</p> <p>Decision: Local Resolution.</p> <p>Outcome / Comment: The Subject Member apologised to the complainant for sharing the internal communications against the policies and procedures</p>

REF	DATE RECEIVED	COMPLAINANT	SUBJECT MEMBER	NATURE OF COMPLAINT, DECISION AND COMMENT
				<p>of the Town Council. The Town Council was requested to ensure that adequate information management training was budgeted for and undertaken by all Town Councillors as soon as possible.</p> <p>In both cases (C21-03 and C21-04) the Subject Members shared the confidential internal communications in good faith with a view to obtaining information to queries that had been raised by the complainant; there was no political motive or hidden agenda for the sharing of the information.</p>
C21-05	27/09/21	Bexhill Town Councillor	Rother District Councillor	<p>Complaint: An allegation of failing to treat with respect via a private social media post.</p> <p>Decision: Dismissed (no further action).</p> <p>Outcome / Comment: There was little substance to the complaint and the comments made were not considered to be rude or offensive.</p>
C21-06	28/10/21	Northiam Parish Councillor	Northiam Parish Councillor	<p>Complaint: An allegation of disclosing confidential information to a third party, conducting themselves in a manner which could reasonably be regarded as bringing the authority into disrepute and attempting to use position to confer on or for another person an advantage. The disclosure to the third party resulted in social media criticism of the Parish Council and Parish Council Members.</p> <p>Decision: Local Resolution.</p> <p>Outcome / Comment: The Subject Member was requested but refused to apologise to the Parish Council for the disclosure and the resulting consequences. The Parish Council was advised to consider the make-up and terms of reference of a related committee.</p>
C21-07	27/10/21	Northiam Parish Councillor	Northiam Parish Councillor	Complaint: As for C21-06 together with an additional allegation of bullying and failing to treat complainant with respect.

REF	DATE RECEIVED	COMPLAINANT	SUBJECT MEMBER	NATURE OF COMPLAINT, DECISION AND COMMENT
				<p>Decision: Part Local Resolution / part dismissed (no further action).</p> <p>Outcome / Comment: As above in respect of the same allegation and dismissed in terms of the allegation of bullying and failing to treat with respect. It was considered that whilst the conduct was robust and borderline disrespectful it was not considered enough to substantiate an allegation of bullying or lack of respect in a local authority meeting context. The Subject Member was advised to reflect on how their behaviour could be misconstrued by others.</p>

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Rother District Council

Report to:	Audit and Standards Committee
Date:	6 December 2021
Title:	Local Government and Social Care Ombudsman Complaints Monitoring
Report of:	Mark Adams, Customer Services Manager
Purpose of Report:	To receive an update on the number of Local Government and Social Care Ombudsman complaints received since the last report in June 2021.
Officer Recommendation(s):	It be RESOLVED : That the report be noted.

Introduction

1. Details of the complaints made to the Local Government and Social Care Ombudsman (LGSCO) are reported to the Committee as and when they are determined throughout the year. Five cases have been determined since the Committee's last meeting as detailed below:

Reference	Details of the Allegation	Outcome
21 008 606	Customer complained that the Council rejected their application for a disabled council tax discount and says the Council amended its guidance after the application was made which meant they were no longer eligible. Customer would like the Council to award a council tax discount. Customer has RSI and is unhappy with the lack of accessibility in the application process. They would like to be compensated for the pain caused when applying.	The LGSO will not investigate this complaint because the complainant can ask for a review. The Council has also addressed issues regarding accessibility in its application process. The courts are best placed to consider matters concerning any personal injury.
21 008 669	Customer has complained about how they have been treated by the Council's planning department and says the Council's officers were unprofessional and mis-managed the application. The customer says there have been long delays by the Council and it failed to properly communicate. The Council's handling of the application is alleged to have caused considerable distress and costs.	The LGSO cannot investigate this complaint because the complainant has appealed to the Planning Inspectorate.

21 007 674	The customer complained alleging the Council made an unlawful decision when it approved an application for a housing development in 2018. They said there is no legal underpinning for the decision reached by Council in 2018 as its decision was for a site not consistent with the planning application.	The LGSO cannot investigate this complaint about a planning decision the Council made in 2018. The law does not allow them to investigate late complaints.
21 004 146	Customer alleges that the Council has: a) failed to take action in response to reports of breaches of planning permission conditions at a development site; b) they have not been kept updated on its enforcement actions; and c) delayed in responding to the complaint.	The LGSO will not investigate a complaint about the Council's enforcement responses to his reports of planning breaches on a development site. The site is about a mile away from the customer's property. Even if there was Council fault in its enforcement decisions, they have not caused a significant personal injustice which would justify investigating. The Council has apologised for delays in updating and responding to the customer's complaint which is the appropriate outcome for these parts of the complaint.
20 009 947	Customer complained about how the Council handled their neighbour's planning application for a two-storey rear extension. The complaint included the Council's failure to: • conduct site visits; • consider their objections and the impact the extension would have on their property; and • provide information on how it reached its decision to grant their neighbour planning permission.	There was no evidence of fault in the way the Council dealt with and made its decision to grant the planning permission.

2. A Total of five complaints were made to the Local Government and Social Care Ombudsman covering the period 28 May 2021 to 17 November 2021, of which:
 - one was not upheld (no fault found in the Council's actions); and
 - four cannot be investigated
3. For the same period, Rother received 107 non-ombudsman complaints from 28 May 2021 to 17 November 2021, of which:

- 73 of these were non-complaints (treated as department service request);
- 11 were resolved at initial stage (non-formal complaint resolution);
- 13 were a stage 1 complaint (responded to formally in writing) of which:
 - seven were not upheld
 - one was upheld
 - five were partially upheld
- two were a stage 2 complaint (responded to formally by Head of service) of which:
 - two were not upheld
- eight are currently awaiting determination/under investigation.

	Average response time (days)	Max time (days)	Number of complaints received
All Complaints	36	98	32
Environmental Health	56	56	2
Council Tax	18	21	2
Benefits	36	44	3
Housing	27	27	2
Planning	63	98	12
Customer Service	32	32	2
Neighbourhood Services	25	49	8

	Average response time (days)	Max time (days)	Number of complaints received
All Stage 2 Complaints	23	24	2
Planning	21	21	1
Housing	24	24	1

Conclusion

4. The Committee is asked to note the report.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No
Chief Executive:	Malcolm Johnston		
Report Contact Officer:	Mark Adams		
e-mail address:	mark.adams@rother.gov.uk		
Appendices:	None		
Relevant Previous Minutes:	None		
Background Papers:	None		
Reference Documents:	None		

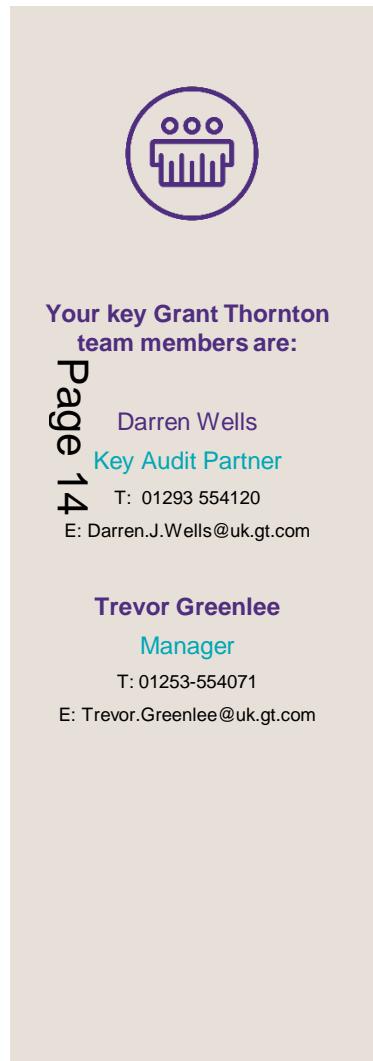
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The Annual Audit Letter for Rother District Council

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Year ended 31 March 2020
November 2021



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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Rother District Council (the Council) for the year ended 31 March 2020.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the findings from our work in our Audit Findings Report to the Council's Audit and Standards Committee as Those Charged With Governance on 7 December 2020. An updated Audit Findings Report was presented to the Audit and Standards Committee on 27 September 2021.



Materi^{al}ity

We determined materiality for the audit of the Council's financial statements to be £992,000, which is approximately 2% of the Council's gross revenue expenditure.

Financial Statements opinion

We gave an unqualified opinion on the Council's financial statements on 1 October 2021.

Our report included an emphasis of matter in respect of the impact of the Covid-19 pandemic on the valuation of the Council's land and buildings, the Council's share of property assets in the East Sussex Pension Fund and the Council's long term holdings in property funds. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.

Use of statutory powers

We did not identify any matters which required us to exercise our additional statutory powers.

Value for Money arrangements

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 1 October 2021.

Certificate

We certified that we have completed the audit of the financial statements of Rother District Council in accordance with the requirements of the Code of Audit Practice on 1 October 2021.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Executive Summary

Working with the Council

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during the audit, particularly given the additional issues associated with remote working as a result of the pandemic.

Grant Thornton UK LLP
November 2021

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Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the Council's financial statements we use the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's financial statements to be £992,000, which is approximately 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year. We set a lower level of materiality, £500,000, for our review of the Council's bank and cash balances, as any error in this area might have added significance for the accounts as a whole.

We set a threshold of £49,000 above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts to check it is consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Covid-19</p> <p>The global Covid-19 pandemic has led to unprecedented uncertainty for all organisations, including the Council. We identified risks relating to;</p> <ul style="list-style-type: none"> • the impact of remote working arrangements on the Council's process for producing the financial statements, and on the audit team's ability to obtain sufficient, appropriate audit evidence to support our opinion; • the greater uncertainty applying to assumptions and estimates made by management, including the potential impact of market volatility on property valuations; and • the need for appropriate disclosures in the financial statements on the impact of the pandemic. 	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • worked with management to understand the implications of the response to the pandemic on the Council's ability to prepare the 2019/20 financial statements; • evaluated the adequacy of the disclosures in the financial statements in the light of the pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; and • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as the valuations for property assets. 	<p>The Council moved to a remote working environment in March 2020. However, there has been no indication of high sickness levels, changes in roles and responsibilities or IT systems issues with a significant impact on the workings of the finance team.</p> <p>Management concluded that all valuations in respect of the Council's land and buildings, holdings in property investment funds, and its share in the East Sussex Pension Fund's property investments should be reported on the basis of "material valuation uncertainty".</p> <p>Our audit opinion includes an emphasis of matter drawing attention to this disclosure in the financial statements.</p>

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings The Council re-values its Property Plant and Equipment (PPE) assets using a 5-year rolling programme, but with major assets revalued annually. All investment properties are also revalued annually. At 31 March 2020 all PPE land and buildings, surplus assets and investment properties were revalued other than for minor assets totalling £60,000.</p> <p>For assets not revalued by the external valuer management review the carrying value included in the financial statements to ensure that this is not materially misstated.. .</p> <p>The valuation of these assets represents a significant estimate by management in the financial statements.</p> <p>We designed our work to address the risk that the valuation of land and building assets was materially misstated.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • evaluated management's processes for the calculation of the estimate, including the instructions issued to the Council's external valuers and the scope of their work; • evaluated the competence, capabilities and objectivity of the external valuers; • challenged the information and assumptions used by the Council's external valuers; • tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluated how management concluded that the carrying value of assets not revalued was not materially misstated. 	<p>The Council's largest PPE assets are revalued annually. For some assets the valuations are based in part on floor area or other measurements. Management identified that for four major assets the measurements used in the 2019/20 valuations had been incorrect. As a result the valuation of the Council's assets had been understated by £1,287,000. The accounts were amended.</p> <p>These measurement errors had also occurred in previous years, with the value of the relevant assets understated by £1,694,000 at 1 April 2018 and £1,917,000 at 31 March 2019. As these errors were material a prior period adjustment was made to the 2019/20 financial statements. A disclosure note was also added to summarise the impact of the adjustments.</p>

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Valuation of net pension liability  The Council's financial statements include a net liability in respect of the Local Government Pension Scheme (LGPS). This represents a significant estimate in the financial statements. We designed our work to address the risk that the pension fund net liability was materially misstated	As part of our audit work we: <ul style="list-style-type: none"> • identified and evaluated the design of the controls put in place to ensure that the pension fund net liability was not materially misstated; • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Authority to the actuary; • confirmed the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary PWC (as auditor's expert) and performing the additional procedures suggested within the report; • checked that the disclosures on pensions included in the financial statements were consistent with the actuary's report; and • obtained assurance from the auditor of the East Sussex Pension Fund (ESPF) on the validity and accuracy of the membership, contributions and benefits data provided by ESPF to the actuary, and used by the actuary to calculate the Council's net pension liability. 	<p>In December 2018 the Court of Appeal ruled that provisions in some public sector pension schemes were discriminatory on the basis of age, the so-called "McCloud" judgement. This ruling has implications for other pension schemes, including the LGPS, and gives rise to additional pension scheme liabilities for the Council. The impact of the ruling was assessed by the Council's actuary and accounted for in the 2018/19 financial statements.</p> <p>A consultation by HM Treasury on the next phase of the Government's response to address this discrimination commenced in July 2020. This process may lead to changes in the liabilities arising out of the judgment.</p> <p>The Council has not obtained a revised report from the actuary quantifying the potential impact of the government's proposals as the issue is not considered to be material.</p> <p>Our general understanding is that the remedy will potentially lead to a reduction in liabilities relative to the original estimates included in local authority accounts. We also noted that the actuary's estimate included in the 2018/19 accounts was not material.</p> <p>We concluded that there was no material issue for our opinion.</p>

Audit of the Financial Statements

Significant Audit Risks - continued

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Management override of internal controls Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We designed our work to address the risk associated with management override of internal controls.	As part of our audit work we; <ul style="list-style-type: none"> • evaluated the design effectiveness of management controls over journals; • identified and tested unusual journal entries for appropriateness; • gained an understanding of the accounting estimates, judgements applied and decisions made by management, and considered their reasonableness; and • evaluated the rationale for any changes in accounting policies or significant unusual transactions. 	We considered the disclosures on estimation uncertainty and agreed a number of changes with management. We did not identify any other issues in respect of management override of controls.

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 1 October 2021.

Issues arising from the audit of the financial statements

As a result of the Covid-19 pandemic remote working arrangements for both the Council and the audit team have been in place throughout the audit. This has meant that the audit has taken longer to complete, with screen-sharing and other procedures required to obtain appropriate supporting evidence.

Additional work has also been required in 2019/20 to address the depth and challenge of work now required by the Financial Reporting Council in areas such as the valuation of property assets and the Council's net pension liability.

We agreed amendments to PPE valuations for four assets as the measurements used in the valuation calculations were incorrect. However, in general the standard of the Council's draft financial statements was high. This performance was especially commendable given the challenging environment created by the pandemic.

We reported the key issues from our audit to the Council's Audit and Standards Committee on 7 December 2020. The Council needed to obtain additional information from the District valuer before finalising the amendments required to the valuation of PPE assets. We provided an updated report to the Audit and Standards Committee on 27 September 2021.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with our knowledge and with the Council's financial statements.

Whole of Government Accounts (WGA)

We carried out work in accordance with instructions issued by the NAO. We issued an assurance statement confirming that a review of the Council's data collection tool was not required as the values in the financial statements were below the specified threshold.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Rother District Council in accordance with the requirements of the Code of Audit Practice on 1 October 2021.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in April 2020 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Financial sustainability</p> <p>We identified a significant risk in respect of the Council's arrangements to ensure financial sustainability.</p> 	<p>The Council has a history of robust financial management. The planning framework is based on a 5 year Medium Term Financial Plan (MTFP) which is aligned with the budget-setting process and updated annually. In recent years the Council has been proactive in responding to the implications of reductions in government funding, both by making financial savings and developing alternative sources of income. However, prior to the pandemic the Council recognised that it faced financial challenges going forward, in part due to the additional costs associated with the new waste collection and street cleansing contract. The revenue budget for 2020/21 was supported by net contributions from reserves of £917,000. In February 2020 the Council also anticipated that further contributions from reserves of approximately £8,000,000 would be required to support the revenue budget over the lifetime of the MTFP. The MTFP assumed delivery of recurring revenue savings rising to £3,000,000 per annum from 2022/23. As at 31.3.20 the Council's reserves available to support the revenue budget totalled £14,970,000.</p> <p>The impact of the Covid 19 pandemic on the council's financial position in 2019/20 has been limited, with lockdown arrangements commencing in late March 2020. However, the impact in 2020/21 has been significant. At the end of quarter 2 the Council was forecasting a deficit of £1,871,000 against the original revenue budget, of which £1,109,000 has been identified as due to the pandemic. This is after the receipt of additional government support of £2,372,000.</p> <p>The Council faces pressures both from the loss of income and additional costs. The loss of income reflects the impact of wider economic conditions, including reduced income from car parks and commercial property. The pandemic has also led to increases in expenditure, in particular relating to homelessness and financial support for the De La Warr Pavilion Charitable Trust and the operator of the Council's leisure facilities. The Council is also experiencing reduced collection rates for both NNDR and council tax, leading to a forecast deficit on the Collection Fund at 31.3.21. This will have no financial impact in the current year, and Councils are allowed to spread any 2020/21 deficit over a three-year period. However, the need to meet the Council's share of the deficit will be an additional financial pressure in future years.</p> <p>The Council has updated its MTFP as at November 2020. The MTFP is now identifying a budget gap of £4,493,000 in 2021/22. The Council is forecasting that contributions of £11,500,000 from reserves will be needed to support the revenue budget over the next five years, leaving total reserves of £3,462,000 at 31 March 2026.</p>	<p>We concluded that the risk we identified was sufficiently mitigated and that the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of resources.</p>

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
Financial sustainability (continued) Page 25	<p>The Council recognises that there are a number of risks associated with this forecast. There is uncertainty over the future framework for business rates funding, where any rebasing or change to current pooling arrangements may have a significant effect on the Council's income. In addition a substantial increase in the Council's capital programme is planned over the lifetime of the MTFP, including housing and commercial developments, with capital expenditure of £186,000,000 planned over the next five years. A number of projects require construction or refurbishment, and any delays or void periods may make it more difficult to deliver the income targets in the early years of the MTFP, and to cover the borrowing costs associated with the projects. The MTFP requires the delivery of significant reductions in expenditure associated with service prioritisation and development; action in these areas has still to be agreed. The ongoing impact of the pandemic on the wider economy, and on any related council costs or income streams, is also unclear at this stage. These uncertainties may create greater risks as the level of reserves reduces over the lifetime of the MTFP.</p> <p>We concluded that the Council now faces very significant financial pressures. To date it has been proactive in updating the MTFP and in reviewing the plan's underlying assumptions. However, the continued extent of reliance on reserves to support the revenue budget over the lifetime of the plan means the Council's room for manoeuvre is limited. It will need a clear focus on delivering annual budgets within the framework set by the MTFP, and on taking early action to address any emerging budget gaps, to ensure it has a sustainable financial framework over the medium term.</p>	

A. Reports issued and fees

We confirm below our final reports issued and the fees charged for the audit and for the provision of non audit services.

Reports issued

Report	Date issued
Audit Plan	January 2020
Audit Findings Report	September 2021
Annual Audit Letter	November 2021

Page 26 Fees

	Planned fees £	Actual fees £	2018/19 fees £
Statutory audit	44,559	59,243	44,959
Total fees	44,559	59,243	44,959

Fees for non-audit services

	Planned fees £	Actual fees £	2018/19 fees £
Audit related services	12,750	12,750	12,750
Certification of Housing Benefit Subsidy claim			
Non-Audit related services			
- None			
Total fees for non-audit services	12,750	12,750	12,750

Non- audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table summarises all non-audit services which were identified.

We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

The non-audit services identified are consistent with the Council's policy on the allotment of non-audit work to the auditor of the Council's financial statements.

Audit fee variation

As outlined in our audit plan the planned fee of £44,559 for 2019/20 was based on the assumption that the scope of our audit did not significantly change. However, for 2019/20 we have been required to perform additional work over and above that originally envisaged due to;

- the impact of the Covid 19 pandemic (£6,684)
- the work associated with PPE asset valuation errors (£8,000).

The proposed fee variation of £14,684 has been agreed with management but is subject to approval by Public Sector Audit Appointments.

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Rother District Council

Report to: Audit and Standards Committee

Date: 6 December 2021

Title: Internal Audit Report to 30 September 2021

Report of: Gary Angell, Audit Manager

Purpose of Report: To report on Internal Audit activity in the second quarter of 2021/22 and to provide a progress update on the implementation of audit recommendations made in earlier periods. Details of other recent developments are also included for Members' consideration.

Officer

Recommendation(s): It be **RESOLVED:** That:

- 1) the Internal Audit report to 30 September 2021 be noted; and
 - 2) the proposal to replace the 3-year Strategic Audit Plan with standalone, annual audit plans be approved.
-

Introduction

1. The Council is required to ensure that it has reliable and effective internal control systems in place. The adequacy of these systems is tested by both Internal and External Audit.
2. The Council's Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). It is a requirement of these Standards that we report to the Audit and Standards Committee on audit matters and any emerging issues not only in relation to audit, but also to risk management and corporate governance.

Current Position

3. Progress on the 2021/22 Audit Plan is still running a few weeks behind schedule, but the position has improved since the last quarter and continues to do so.

Summary of Activity to 30 September 2021

4. Two audit reports were issued in the quarter. An overview of the findings arising from each of these audits is given in the Executive Summaries which are reproduced in Appendix A.
5. Both audits provided substantial assurance on those areas reviewed.
6. Several audits were also nearing completion at the end the quarter and have since been issued – these include reviews of the Grounds Maintenance Contract, the Blackfriars Project and Income Management. The Executive

Summaries for these reviews and any other audit reports completed in the third quarter will be included in the next progress report.

Implementation of Audit Recommendations

7. Each quarter, Members are updated on the progress made on implementing the audit recommendations reported at previous meetings. Appendix B shows a summary of the current position.
8. From this it can be seen that six of the older year recommendations remain outstanding. Three of these (Council Tax, ICT Network Security and ICT Governance) are now at an advanced stage and are all scheduled to be completed by March 2022 at the latest. However, progress on the other three cases (Procurement and the two Creditor recommendations) remains slow, and this is due in part to resourcing issues. The Chief Executive has been informed of the situation and is monitoring progress. However, the Head of Service responsible for all six issues will soon be retiring meaning that the responsibility for resolving these outstanding matters will now fall to the relevant line managers.
9. As for the current year recommendations, almost half of these have already been implemented and work has begun on all other cases.

Forward Planning

10. Every three years Internal Audit has traditionally produced a Strategic Audit Plan setting out the audits it intends to carry out over the next three-year period. It has always been the case that the second and third years of this plan have been subject to change due to the emergence of new risks or activities not foreseen at the time the plan was drafted. However, the pace of change has only increased in recent years with the Council regularly embarking on new projects and initiatives to meet its corporate aims and objectives.
11. The need for a more responsive, adaptable approach to audit planning was brought into sharp focus during the COVID-19 pandemic, but, even in normal times, the rigid structure of a Strategic Audit Plan model does not cope well with major change. This can lead to delays in auditing important new areas due to other commitments.
12. With the new Strategic Audit Plan due to be reported to this committee next quarter, now would seem to be an opportune moment for Members to consider approving a different approach to audit planning. It is therefore proposed that the 3-year Strategic Audit Plan be dropped in favour of standalone, annual audit plans. The Audit Manager would continue to use a risk assessment to determine what audits are included in the annual plan but the move away from the existing model would provide greater flexibility for the inclusion of new areas, and possibly even allow time for some short, quick turnaround reviews, similar to those utilised during the pandemic, focusing on specific issues. Such an approach would not only allow Internal Audit to make better use of its limited resources, but also enable it to target its assurance where it is most needed.

Risk Management Co-ordination

13. Owing to the imminent retirement of the Assistant Director Resources, the Audit Manager has now taken on responsibility for Risk Management Policy and for collating and reporting on updates to the Corporate Risk Register. However, it is important to emphasise that the Audit Manager's role will be limited to that of Risk Management Co-ordinator and it will not include any responsibility for managing risk. This remains the responsibility of Management.
14. This approach is in accordance with PSIAS performance standard 2120.C3 which states that, "*When assisting management in establishing or improving risk management processes, Internal Auditors must refrain from assuming any management responsibility by actually managing risks*". Conformance with this standard is a necessary safeguard to ensure the Audit Manager's independence and objectivity is not impaired by his involvement in the Risk Management process.
15. The Audit Manager's new role will however enable him to facilitate and advise on the evaluation of risk, to suggest improvements to the Risk Management process, and ultimately act as a Risk Management champion. The Audit Manager will also be encouraging regular reviews of the Corporate Risk Register, but the ultimate responsibility for its content, and all actions to mitigate the risks identified, will remain with Senior Management.

Conclusion

16. Progress on the 2021/22 Audit Plan is improving with two audits completed in the latest quarter.
17. Progress on the older audit recommendations remains slow but it is hoped that at least half of the remaining cases will be completed soon.
18. The report proposes a new approach to audit planning which should better meet the Council's needs.
19. The Audit Manager has recently taken on responsibility for Risk Management Co-ordination but not for the management of risk, which remains the responsibility of Management.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

Chief Executive:	Malcolm Johnston
Report Contact Officer:	Gary Angell, Audit Manager
e-mail address:	gary.angell@rother.gov.uk

Appendices:	A – Audit Reports issued during Quarter to 30 September 2021 B – Summary of Progress on Recommendations Made up to 30 June 2021
Relevant Previous Minutes:	AS21/25

Background Papers: None.

Reference None.

Documents:

WASTE CONTRACT AUDIT – RDC CLIENT CONTROL

Head of Service: Deborah Kenneally

Officer(s) Responsible for Implementing Recommendations: Anna Evett and Andrew Mead

Overall Level of Assurance: **SUBSTANTIAL**

Purpose and Objectives

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

Limitations of Coverage

This audit solely focuses on the arrangements for monitoring the performance of the Waste Contractor (Biffa) in respect of services provided to this Council.

It does not cover the letting of the contract, contractor payments, the uplift of the contract sum, nor the application of liquidated damages – all of which are the responsibility of the Joint Waste Central Admin Team now based at Wealden District Council.

Control Objectives

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

Contract Compliance – The performance of the contract is adequately monitored to ensure compliance with the terms of the contract.	P
Budgetary Control – Refuse Collection, Street & Beach Cleansing and Recycling budgets are monitored and controlled.	M

Level of Assurance

Based on the findings from the audit we have determined that substantial assurance can be given on the governance arrangements.

The only issues found relate to:

- **Cleansing of roads exceeding a 40 mph limit** – Rother officers were asked to provide measurements for all trunk roads in the district at the contract tender stage so that Biffa could factor in the cost of the additional safety measures required for this type of road. It was reasonably assumed by officers that the term 'trunk road' would only include those roads managed by Highways England - i.e. the A259 and A21. However, Biffa's interpretation appears to include any road where the speed limit exceeds 40mph and it has capped the level of service provided on all such

roads at 100 km per year, based on the measurement supplied for trunk roads. As a consequence, Rother may not be receiving the level of service expected on some roads with a speed limit exceeding 40 mph. The Council should request that all roads are kept clean in accordance with the level of service specified in the contract, otherwise it may need to be reimbursed for any work which is not carried out.

- **Bulky Waste Charges** – The charge for bulky waste collections (up to 3 items) was increased in 2021/22, but this change is yet to be reflected on the Council's website. This means that customers are currently underpaying for this service.

Executive Summary

Overall, the control objectives are considered to have largely been met but we have made one medium and one low risk recommendations to management to further enhance the governance arrangements.

Internal Audit Service
August 2021

HOUSING TEMPORARY ACCOMMODATION AUDIT

Head of Service: Joe Powell

Officer(s) Responsible for Implementing Recommendations: Joe Powell, Kathryn Harlow and Emma Donnelly

Overall Level of Assurance: **SUBSTANTIAL**

Purpose and Objectives

The purpose of the audit is to provide organisational and departmental management with an assurance as to the adequacy of the control systems based on compliance with the control objectives set out in the table below.

These objectives are designed to assess the extent to which the organisation meets its legal requirements, its own needs and those of its stakeholders and how the control systems in place contribute to the overall governance arrangements and securing value for money from the Council's services and operations.

Control Objectives

The audit opinion is based on the extent of compliance with the objectives (below), which have either been met in full (**M**), partially met (**P**) or not met (**N**).

Management are taking action to secure sufficient temporary accommodation to meet its responsibilities under the Homelessness Reduction Act and the quality of temporary accommodation provided to clients is of an adequate standard.	P *
All temporary accommodation provided for the homeless is correctly allocated and paid for, and the costs incurred are recovered where appropriate.	P
All expenditure on temporary accommodation is contained within budget.	P

* Although the control objective was not met on this occasion, the overall picture regarding the availability of temporary accommodation is much better than was seen at the last audit in November 2018. This is mainly due to the implementation of the Temporary Accommodation Investment Strategy, and the situation should continue to improve as more Council-owned accommodation is acquired.

Level of Assurance

Based on the findings from the audit we have determined that substantial assurance can be given on the governance arrangements. This is a good outcome given the many challenges the Housing team has faced over the last 18 months as a result of the COVID-19 pandemic.

The main issues found relate to:

- **Property Inspections** – The Council should cease using any temporary accommodation with an unsatisfactory Electrical Installation Condition Report (EICR) certificate until such time the landlord can prove remedial works have been carried out by a qualified electrician.

- **Benefit Claims** – Regular checks should be carried out by Housing officers to ensure that the Benefit claims for temporary accommodation have been processed otherwise the weekly rent paid for temporary accommodation may not be recovered.

Other issues were also highlighted regarding the need to obtain competitive quotes for the management of Council-owned temporary accommodation, and to ensure that removal and storage costs are recovered.

Executive Summary

Overall, the control objectives are considered to have largely been met but we have made two medium and two low risk recommendations to management to further enhance the governance arrangements.

Internal Audit Service
September 2021

Summary of Progress on Recommendations Made up to 30 June 2021

Audit Recommendations 2018/19 and 2019/20 and 2020/21

Previous quarter's performance shown in brackets

Risk	Issued	Implemented		Work-in-Progress		Not Started	
High	3	3	(3)	0	(0)	0	(0)
Medium	79	75	(74)	4	(5)	0	(0)
Low	49	47	(46)	2	(3)	0	(0)
Total	131	125	(123)	6	(8)	0	(0)
		95.4%	(93.9%)	4.6%	(6.1%)	0%	(0%)

Note – All audit recommendations made in 2020/21 have now been implemented.

Breakdown of outstanding audit recommendations by Head of Service:

Robin Vennard (Resources)

- Procurement (2018/19) – issued 05/10/18 (1 Medium)
- Council Tax (2018/19) – issued 04/01/19 (1 Low)
- ICT Network Security (2018/19) – issued 16/01/19 (1 Low)
- Creditors (2018/19) – issued 12/03/19 (1 Medium)
- ICT Governance (2018/19) – issued 12/04/19 (1 Medium)
- Creditors (2019/20) – issued 21/04/20 (1 Medium)

Audit Recommendations 2021/22

Risk	Issued	Implemented	Work-in-Progress	Not Started
High	0	0	0	0
Medium	7	3	4	0
Low	6	3	3	0
Total	13	6	7	0
		46.2%	53.8%	0%

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Rother District Council

Report to:	Audit and Standards Committee
Date:	6 December 2021
Title:	External Audit Contract from 2023/24
Report of:	Assistant Director Resources
Purpose of Report:	This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24 and seeks authority for the Chief Finance Officer to opt in to the national scheme for auditor appointments on behalf of the Council.
Officer Recommendation(s):	Recommendation to COUNCIL: That:
1)	the Public Sector Audit Appointment's invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023 be accepted; and
2)	the Chief Finance Officer be authorised to opt in to the national scheme for auditor appointments for the provision of external audit services starting with the audit of the 2023/24 accounts.

Introduction

1. The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.
2. PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. During autumn 2021, all local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.
3. If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council needs to return completed opt-in documents to PSAA by 11 March 2022.

Procurement of External Audit for the period 2023/24 to 2027/28

4. Under the Local Government Audit & Accountability Act 2014 (“the Act”), the Council is required to appoint an auditor to audit its accounts for each financial year. The Council has three options:
 - To appoint its own auditor, which requires it to follow the procedure set out in the Act.
 - To act jointly with other authorities to procure an auditor following the procedures in the Act.
 - To opt in to the national auditor appointment scheme administered by a body designated by the Secretary of State as the ‘appointing person’. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).
5. In order to opt in to the national scheme, a council must make a decision at a meeting of the full Council.

The Appointed Auditor

6. The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and Best Value assessment of the Council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.
7. The auditor must act independently of the Council and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.
8. The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC) and employ authorised Key Audit Partners to oversee the work. As the report below sets out, there is currently a shortage of registered firms and Key Audit Partners.
9. Auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the course of the next audit contract. Councils therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.

Appointment by the Council itself or jointly

10. The Council may elect to appoint its own external auditor under the Act, which would require the Council to:
 - Establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected

- members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council's external audit.
- Manage the contract for its duration, overseen by the Auditor Panel.
11. Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

The National Auditor Appointment Scheme

12. PSAA is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five-year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services. PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members.
13. In summary the national opt-in scheme provides the following:
- the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023;
 - appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;
 - managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy;
 - ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;
 - minimising the scheme management costs and returning any surpluses to scheme members;
 - consulting with authorities on auditor appointments, giving the Council the opportunity to influence which auditor is appointed;
 - consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and
 - ongoing contract and performance management of the contracts once these have been let.

Pressures in the current local audit market and delays in issuing opinions

14. Much has changed in the local audit market since audit contracts were last awarded in 2017. At that time, the audit market was relatively stable, there had been few changes in audit requirements and local audit fees had been reducing over a long period. 98% of those bodies eligible opted into the national scheme and attracted very competitive bids from audit firms. The resulting audit contracts took effect from 1 April 2018.

15. During 2018 a series of financial crises and failures in the private sector year led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government: Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator; the Competition and Markets Authority review of the audit market; Sir Donald Brydon's review of the quality and effectiveness of audit; and Sir Tony Redmond's review of local authority financial reporting and external audit. The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator (ARGA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.
16. The Kingman review has led to an urgent drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. By the time firms were conducting 2018/19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible. To deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in prior years.
17. This situation has been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with COVID-19 creating further significant pressure for finance and audit teams.
18. None of these problems is unique to local government audit. Similar challenges have played out in other sectors, where increased fees and disappointing responses to tender invitations have been experienced during the past two years.

The National Scheme Invitation and Procurement Process

19. PSAA is now inviting the Council to opt in for the second appointing period, for 2023/24 to 2027/28, along with all other eligible authorities. Based on the level of opt-ins it will enter into contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's auditor.
20. The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. PSAA has pledged to:
 - seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies;
 - continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties (pooling

means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key tenet of the national collective scheme);

- continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members. In 2019 it returned a total £3.5million to relevant bodies and in 2021 a further £5.6million was returned; and
 - seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.
21. The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the National Audit Office), the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements. The requirements are mandatory; they shape the work auditors undertake and have a bearing on the actual fees required.
22. There are currently nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation. This means that a local procurement exercise would seek tenders from the same firms as the national procurement exercise, subject to the need to manage any local independence issues. Local firms cannot be invited to bid. Local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.

Not Opting in to the National Scheme

23. If the Council did not opt in, there would be a need to establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council's external audit.
24. Alternatively, the Council could join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

25. These would be more resource-intensive processes to implement for the Council, and without the bulk buying power of the sector-led procurement would be likely to result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process. The Council would still be unable to influence the scope of the audit and the regulatory regime inhibits the Council's ability to affect quality. The Council and its auditor panel would need to maintain ongoing oversight of the contract.
26. The national procurement provides the appointment of an independent auditor with limited administrative cost to the Council. By joining the scheme, the Council would be acting with other councils to optimise the opportunity to influence the market that a national procurement provides.
27. The recommended approach is therefore to opt in to the national auditor appointment scheme.

The Process to Opt in to the National Scheme

28. Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the Council meeting as a whole.
29. The Council then needs to respond formally to PSAA's invitation in the form specified by PSAA by the close of the opt-in period (11 March 2022).
30. PSAA will commence the formal procurement process in early February 2022. It expects to award contracts in August 2022 and will then consult with authorities on the appointment of auditors so that it can make appointments by the statutory deadline of 31 December 2022.

Financial Implications

31. There is a risk that current external audit fee levels could increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.
32. Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large scale collective procurement arrangement.
33. If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

Legal Implications

34. Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.

35. Section 8 governs the procedure for appointment including that the Council must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council is a local Council operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council under those arrangements.
36. Section 12 makes provision for the failure to appoint a local auditor. The Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.
37. Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

Risk Management

38. The principal risks are that the Council:
 - fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or
 - does not achieve value for money in the appointment process.
39. These risks are considered best mitigated by opting into the sector-led approach through PSAA.

Conclusion

40. The report concludes that the sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:
 - collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements;
 - if it does not use the national appointment arrangements, the Council will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;
 - it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and
 - supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.
41. If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the

Council needs to return completed opt-in documents to PSAA by 11 March 2022.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	No	Access to Information	No
Sustainability	No	Exempt from publication	No
Risk Management	Yes		

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Appendices:	None
Relevant Previous Minutes:	None
Background Papers:	None
Reference Documents:	None

Rother District Council

Report to: Audit and Standards Committee

Date: 6 December 2021

Title: Financial Procedure Rules Update

Report of: Assistant Director Resources

Purpose of Report: To review and update the Council's Financial Procedure Rules to reflect business changes and the new Council staffing structure

Officer

Recommendation(s): **Recommendation to COUNCIL:** That, subject to the concurrence of the Overview and Scrutiny Committee:

1. the revised Financial Procedure Rules set out at Appendix A be approved and adopted; and
 2. The Chief Executive be granted delegated authority to make minor changes consequent to the finalisation of the Council staffing restructure.
-

Introduction

1. The Council's staff restructure is ongoing and is expected to be completed by March 2022. The Council Financial Procedure Rules (FPRs) have been updated to reflect the changes to the senior management team. For the purposes of the update it has been assumed that 3rd tier officers are known as Heads of Service. As the restructure progresses, this may not be the case and it is sensible to give the Chief Executive delegated authority to update the FPRs as necessary.
2. It is also an opportune time to make any other changes to the rules to improve the operational efficiency of the Council and to clarify any rules that are out of date or no longer applicable. The Council's Procurement Procedure Rules (PPRs) are also being reviewed to take account of changes to procurement regulations and will be subject to a future report.
3. The functions of the Audit and Standards Committee provide for the Committee to maintain an overview of the Council's Constitution in respect of procurement procedure rules, financial procedure rules and codes of conduct and behaviour (other than the Code of Conduct for Members). However, any changes to the Constitution currently are required to go to Council via the Overview and Scrutiny Committee. The revised FPRs will therefore be submitted to the OSC in the new year for ratification.

Main Changes to the FPRs

4. The most significant change that is proposed to the FPRs relates to the approval and reporting arrangements for the writing out of the accounts (write off) of debts that cannot be or are unlikely to be collected, as shown in section

Q. The thresholds for requesting Member approval to the write off are proposed to be increased significantly which will reduce the reporting to Members and increase internal process efficiency. However, it is proposed that these increased thresholds are restricted to those circumstances where the Council effectively has no choice but to write off, e.g. in the event of liquidation of a company or a debt relief order is granted to the debtor. The Council is not a preferred debtor and therefore where the debtor has no assets or funds, there is little chance of recovering monies owed. There is a requirement to report to Cabinet the total write offs made in a year under the various categories to ensure transparency.

5. Rule G35 has also been updated to better reflect its original intention regarding the need to carry out a review by Members of the specifications for the Council's major service contracts, such as Waste Collection. As such the value threshold has been increased to an annual cost of £500,000. It is also proposed amend the process and that the initial review should now be undertaken by Cabinet who will then pass to the Overview and Scrutiny Committee for their views and recommendations back to Cabinet. Previously contract specifications should have been reported to Overview and Scrutiny Committee first.
6. A new section, U, has been added to cover the responsibilities for Officers when establishing a subsidiary company. This does not extend to the detailed requirements of the company, which would form part of their own internal governance arrangements.

Environmental Considerations

7. The Council's financial and procurement activities have an impact on the environment. The Council's procurement strategy has previously been updated to ensure alignment with the Council's ambitions regarding climate change.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	Yes	Access to Information	No
Sustainability	No	Exempt from publication	No
Risk Management	Yes		

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Appendices:	Appendix A – Financial Procedure Rules
Relevant Previous Minutes:	None
Background Papers:	None
Reference Documents:	None

Part 4 - 6

Financial Procedure Rules

1. FINANCIAL MANAGEMENT

A. Financial Management Standards

Why is this important?

All staff and Members have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.

General

- A.1 The inclusion of items in the approved revenue estimates shall constitute authority to incur such expenditure save to the extent to which the Council shall have placed a reservation on any item or items. Expenditure on such reserved items may be incurred only when Council approval is given following a report by an officer of the Corporate Management Team to Cabinet.

Responsibilities of the Chief Finance Officer

- A.2 To ensure 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 Authority.
- A.3 To be responsible for providing the Council, Cabinet and Committees with advice on all financial and economic matters.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service¹

- A.4 To promote the financial management standards set by the Chief Finance Officer in their departments and to monitor adherence to the standards and practices, liaising as necessary with the Chief Finance Officer.
- A.5 To promote sound financial practices in relation to the standards, performance and development of staff in their services.
- A.6 To be responsible for the accountability and control of staff and for the security, custody and control of all resources including plant, buildings, materials, cash and stores within their services.
- A.7 To be responsible for informing the Chief Finance Officer of all contracts, agreements, etc. involving financial implications for the Council, and to also forward to the Chief Executive, Deputy Chief Executive or Director - Place and Climate Change all consents, approvals, regulations, circulars, etc. in any way relating to finance.

¹ Including all 3rd tier officers/managers

B. Managing Expenditure

(a) *Virement*

Why is this important?

The scheme of virement is intended to enable Cabinet, Chief Executive, Deputy Chief Executive, Director - Place and Climate Change 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.

General

- B.1 The use of virement must not create additional liability. Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service are expected to exercise their discretion in managing their budgets responsibly and prudently.
- B.2 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. Earmarked Reserves are considered to be part of the approved budget and therefore its use will not be treated as a virement provided it is used for the purposes for which it has been established.

Responsibilities of Cabinet

- B.3 Cabinet may vire to other purposes amounts provided within the approved annual revenue estimates, except that where the amount of any single diversion exceeds £250,000, the approval of Council is required.

Responsibilities of the Chief Finance Officer

- B.4 To have authority to vire to other purposes amounts provided within the approved annual revenue estimates provided that the amount of any single virement shall not exceed £50,000.
- B.5 To make regular reports to Cabinet detailing all virements exceeding £25,000.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- B.6 Chief Executive, Deputy Chief Executive, Director - Place and Climate Change to have authority, within the approved revenue estimates coming under their responsibility, to vire up to £25,000 for any single diversion. Heads of Service to have authority, within the approved revenue estimates coming under their responsibility, to vire up to £10,000 for any single diversion. All virements subsequently must be notified to the Chief Finance Officer. All requests for virements over £50,000 must be submitted to the Chief Finance Officer for Cabinet and/or Council approval.

(b) Treatment of year-end balances**Why is this important?**

The treatment of year-end balances is administered by the Chief Finance Officer within guidelines set by the Council. Any variation from the scheme of virement (as set out above) requires the approval of the Council. The rules below cover arrangements for the transfer of resources between accounting years, i.e. a carry-forward. For the purposes of this scheme, a budget heading is a line in the estimates report.

Responsibilities of the Chief Finance Officer

- B.7 To administer the scheme of carry-forward within the delegated authority approved by the Council.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- B.8 All internal business unit surpluses shall be retained for the benefit of the Authority and their application shall require the approval of Cabinet unless legislation requires otherwise.
- B.9 The carrying forward of underspendings will only be considered following a review of the Council's overall financial position.

(c) Emergency Expenditure**Why is this important?**

The Council needs to have in place a procedure for meeting immediate needs in the case of an emergency situation arising in the District.

General

- B.10 The Chief Executive, or Chief Finance Officer shall have authority to approve expenditure on any item which is essential to meet any 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 from within the current budget framework.
- B.11 The Chair or Vice-Chair of the Council together with the Leader or Deputy Leader of Council, having received a report from the Chief Executive or Chief Finance Officer, shall have power to incur expenditure which is essential to meet any immediate needs created by an emergency or which is referable to Section 138 of the Local Government Act 1972 (or other subsequent legislation) which is not otherwise authorised or where it is necessary in the Council's interest to settle legal proceedings which have been commenced against the Council. A subsequent report shall be submitted to Cabinet and/or Council depending on whether or not the expenditure can be met from within the current budget framework.

C. Accounting Policies

Why is this important?

The S151 Officer is responsible for the preparation of the Authority'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: A Statement of Recommended Practice* (CIPFA/LASAAC), for each financial year ending 31 March.

Responsibilities of the Chief Finance Officer

- C.1 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared as at 31 March each year.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- C.2 To adhere to the accounting policies and guidelines approved by the Chief Finance Officer.

D. Accounting Records and Returns

Why is this important?

Maintaining proper accounting records is one of the ways in which the Authority discharges its responsibility for stewardship of public resources. The Authority has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resources.

Responsibilities of the Chief Finance Officer

- D.1 To maintain satisfactory accounting arrangements for all financial transactions of the Council in consultation where necessary with the Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service.
- D.2 To separate the duties of officers providing information about sums due to or from the Authority and calculating, checking and recording these sums from those of the officers responsible for collecting or disbursing them.
- D.3 To ensure that employees with the duty of examining or checking the accounts of cash transactions are not themselves engaged in these transactions.
- D.4 To make proper arrangements for the external audit of the Authority's accounts in accordance with the latest applicable Accounts and Audit Regulations.
- D.5 To ensure that all claims for funds including grants are made by the due date.

- D.6 To prepare and publish the audited accounts of the Authority for each financial year, in accordance with the statutory timetable and with the requirement for the Audit and Standards Committee to approve the statement of accounts before the statutory deadline.
- D.7 To administer the Authority's arrangements for underspendings to be carried forward to the following financial year.
- D.8 To ensure the proper retention of financial documents in accordance with the requirements set out in the Authority's document retention schedule.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- D.9 To consult and obtain the approval of the Chief Finance Officer before making any changes to accounting records and procedures.
- D.10 To comply with the principles outlined in paragraphs D.2 and D.3 above, when allocating accounting duties.
- D.11 To maintain adequate records (as determined by the Chief Finance Officer) to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- D.12 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Chief Finance Officer.

E. The Annual Statement of Accounts

Why is this important?

The Authority has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The Audit and Standards Committee is responsible for approving the statutory annual statement of accounts.

Responsibilities of the Chief Finance Officer

- E.1 To select suitable accounting policies and to apply them consistently.
- E.2 To make judgements and estimates that are reasonable and prudent.
- E.3 To comply with the Statement of Recommended Practice (SORP).
- E.4 To sign and date the statement of accounts, stating that it presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March.
- E.5 To draw up the timetable for final accounts preparation and to advise staff and external auditors accordingly.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- E.6 To comply with accounting guidance provided by the Chief Finance Officer and to supply the Chief Finance Officer with information when required.

2. FINANCIAL PLANNING

F. Performance Plans and Strategies

Why is this important?

It is good practice for local authorities to publish forward or business plans, including corporate performance plans, and community plans. The purpose of these plans is to explain overall priorities and objectives, current performance, and proposals for further improvement and demonstrate good Use of Resources and Value for Money. Rother District Council has chosen to base its performance framework on a pyramid of connected plans.

The *Corporate Plan* sets out the Council's vision and objectives.

The *Annual Performance Plan* sets out key targets for improvement.

Service Plans set out the key activities and improvements for each Rother Service on an annual basis.

Individual Action Plans, based on the Performance Appraisal Scheme, set out individual staff members objectives on an annual basis.

Responsibilities of the Chief Executive

- F.1 To advise and supply the financial information that needs to be included in performance plans and strategies etc. in accordance with statutory requirements and agreed timetables.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- F.2 To contribute to the development of performance plans.
- F.3 To contribute to the development of corporate and service targets and objectives and performance information.
- F.4 To ensure that performance plan information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

G. Budgeting

(a) Format of the budget

Why is this important?

The format of the budget 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 the level at which funds may be reallocated within budgets.

Responsibilities of the Chief Finance Officer

- G.1 To advise Cabinet on the format of the budget that is to be approved by the Council.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- G.2 To comply with accounting guidance provided by the Chief Finance Officer.

(b) Revenue budget preparation, monitoring and control

Why is this important?

Budget management ensures that once the budget has been approved by the Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the Authority 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 budgetary targets, the Authority can identify changes in trends and resource requirements at the earliest opportunity. The Authority itself operates within an annual cash limit, approved when setting the overall budget. To ensure that the Authority in total does not overspend, each service is required to manage its own expenditure within the cash-limited budget allocated to it. For the purposes of budgetary control by managers, a budget will normally be the planned income and expenditure for a service area or cost centre.

Responsibilities of the Chief Finance Officer

- G.3 To submit reports to Cabinet and to the Council, in consultation with the Chief Executive, where the Deputy Chief Executive, Director - Place and Climate Change or *Heads of Service* is unable to balance expenditure and resources within existing approved budgets under his / her control.
- G.4 To prepare and submit reports on the Authority's projected income and expenditure compared with the budget to Corporate Management Team (CMT), Cabinet and Overview and Scrutiny Committee (or delegated sub-committee thereof) on a regular basis.
- G.5 To establish an appropriate framework of budgetary management and control that ensures that:
- (a) budget management is exercised within annual cash limits unless the Council agrees otherwise;
 - (b) each Head of Service has available timely information on receipts and payments on each budget which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities;
 - (c) expenditure is committed only against an approved budget head;

- (d) all officers responsible for committing expenditure comply with relevant guidance, Financial Procedure Rules and Procurement Procedure Rules
- (e) each cost centre has a single named manager, determined by the relevant Head of Service. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure; and
- (f) significant variances from approved budgets are investigated and reported by budget managers in accordance with the monitoring timetable.

G.6 To administer the Authority's scheme of virement (Refer to section B(a)).

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- G.7 To consult with the Chief Finance Officer with respect to any matter which is liable materially to affect the finances of the Council before any provisional or other commitment is incurred or before reporting thereon.
- G.8 To maintain budgetary control within their departments, in adherence to the principles in G.3 above, and to ensure that all income and expenditure are properly recorded and accounted for.
- G.9 To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Head of Service (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure.
- G.10 To ensure that spending remains within the service's overall cash limit, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast and to report these to the Chief Finance Officer in accordance with the monitoring timetable. This regulation shall also apply to any action or decision, which will give rise to a reduction in income.
- G.11 To ensure that a monitoring process is in place to review performance levels/levels of service in conjunction with the budget and is operating effectively within the guidelines set down by the Chief Finance Officer.
- G.12 To ensure prior approval by the Council for new proposals outside of the budget and policy framework, of whatever amount, that:
 - (a) create financial commitments in future years;
 - (b) change existing policies, initiate new policies or cease existing policies; and
 - (c) materially extend or reduce the Authority's services.
- G.13 To ensure compliance with the scheme of virement (See section B(a))
- G.14 To agree with Corporate Management Team, where it appears that a budget proposal, including a virement proposal, may impact materially another services area, prior to any action being taken.

(c) Budgets and medium-term planning

Why is this important?

The authority 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 weighed priorities. The budget is the financial expression of the Authority'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 the Council. Budgets (spending plans) are needed so that the Authority can plan, authorise, monitor and control the way money is allocated and spent. It is illegal for an authority to budget for a deficit.

Medium-term planning (or a three-to-five-year planning system) involves a planning cycle in which managers develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the Authority is always preparing for events in advance.

Responsibilities of the Chief Finance Officer

- G.15 To prepare and submit reports on budget prospects for Cabinet, including resource constraints set by the Government. Reports should take account of medium-term prospects, where appropriate.
- G.16 To determine the detailed form of revenue estimates and the methods for their preparation.
- G.17 To prepare and submit reports to Cabinet on the budget and policy framework, identifying, where appropriate, the implications for the level of Council tax to be levied. After making any necessary amendment, Cabinet shall submit them to the Overview and Scrutiny Committee for comment. Following receipt of these comments, Cabinet shall submit the proposals to the Council for approval with a recommendation of the Council Tax to be levied for the ensuing financial year.
- G.18 To advise on the medium-term implications of spending decisions.
- G.19 To encourage the best use of resources and value for money by working with the Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service* to identify opportunities to improve economy, efficiency and effectiveness; by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.

- G.20 To ensure reports are made to the Council on Cabinet proposals in accordance with their responsibilities under Section 151 of the Local Government Act 1972.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- G.21 To prepare detailed draft revenue and capital budgets for consideration, in consultation with the Chief Finance Officer, to be submitted to Cabinet, and thereafter consulted with the appropriate committee.
- G.22 To prepare budgets that are consistent with any relevant cash limits, with the Authority's annual budget cycle and with guidelines issued by Cabinet. The format should be prescribed by the Chief Finance Officer in accordance with the Council's general directions.
- G.23 To integrate financial and budget plans into service planning, so that budget plans can be supported by financial and non-financial performance measures.
- G.24 When drawing up draft budget requirements, to have regard to the budget requirements as set out by the Chief Finance Officer.

(d) Capital programmes

Why is this important?

Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to the Authority, 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. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

General

- G.25 The inclusion of any item with an estimated value less than £100,000 within the approved capital expenditure programme shall constitute authority to incur such expenditure.
- G.26 Cabinet may vire to other purposes money from one project to another in the approved capital expenditure programme, except that where the amount of any single diversion exceeds £100,000, the approval of the Council is required.

Responsibilities of the Chief Finance Officer

- G.27 To have authority to vire money from one project to another within the approved capital expenditure programme provided that the amount of any single diversion shall not exceed £50,000.
- G.28 To prepare capital estimates jointly with the Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service, in accordance with the procedure set out in the Capital Strategy and to report them to Cabinet for approval. Cabinet will make recommendations on the

Appendix A

capital estimates and on any associated financing requirements to the Council.

- G.29 To be responsible for ensuring that the Chief Finance Officer has adequate procedures in place to properly control capital spending.
- G.30 To prepare and submit reports to Corporate Management Team, Cabinet and Overview and Scrutiny Committee (or delegated sub-committee) on the projected income, expenditure and resources compared with the approved estimates.
- G.31 To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Chief Finance Officer having regard to government regulations and accounting requirements.
- G.32 To obtain authorisation from Council for individual schemes where the estimated expenditure exceeds the capital programme provision.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- G.33 To comply with guidance concerning capital schemes and controls issued by the Chief Finance Officer.
- G.34 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Chief Executive.
- G.35 Before procuring a service contract which is estimated to exceed £500,000 per annum in value or amount, to firstly report to Cabinet the draft specification, likely cost and form of tendering; Cabinet will then ask Overview and Scrutiny Committee to review and comment on the draft specification to be recommended to Cabinet for final approval; and to ensure that the proposal is included on the Council's Forward Plan of Key Decisions, if appropriate.
- G.36 Prepare a return for the quarterly capital monitoring group in accordance with the agreed timetable, of estimated final costs of schemes in the approved capital programme for submission to Corporate Management Team.
- G.37 To consult with the Chief Finance Officer when a potential overspending or significant underspending is identified on a capital scheme which is under their control.
- G.38 To ensure that adequate records are maintained for all capital contracts.
- G.39 To proceed with projects only when there is adequate approved provision in the capital programme and with the agreement of the Chief Finance Officer, where required.
- G.40 If at any time it is believed that the cost of any capital scheme is likely to exceed the estimate as shown in the approved capital expenditure programme by more than £25,000 of the approved amount, the Chief Finance Officer shall report the anticipated overspend to Cabinet. For variations under

£25,000 but exceeding 10% of the approved capital scheme cost, these shall be reported to Chief Finance Officer.

- G.41 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Chief Finance Officer and, if applicable, approval of the scheme through the capital programme.

H. MAINTENANCE OF RESERVES

Why is this important?

The Local Authority must decide the 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 Authority to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.

Responsibilities of the Chief Finance Officer

- H.1 To advise Cabinet and/or the Council on prudent levels of reserves for the Authority, and to take account of the advice of the external auditor in this matter.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- H.2 To ensure that reserves are used only for the purposes for which they were intended.

3. RISK MANAGEMENT AND CONTROL OF RESOURCES

J. Risk Management

Why is this important?

All organisations, whether 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 the continued financial and organisational well-being of the organisation. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures an organisation already has in place to manage identified risks and then recommending the action the organisation needs to take to control these risks effectively.

It is the overall responsibility of the Audit and Standards Committee to approve the Authority's risk management strategy, and together with the Corporate Management Team promote a culture of risk management awareness throughout the Authority.

Responsibilities of the Chief Finance Officer

- J.1 To include all appropriate employees of the Authority in a suitable fidelity guarantee insurance.

- J.2 To be responsible for arranging all necessary insurance cover and keeping appropriate records.

Responsibilities of the Head of Internal Audit

- J.3 To prepare and promote the Authority's risk management policy statement and ensure the Corporate Risk Register is maintained and regularly reported to Audit and Standards Committee.
- J.4 To advise the Corporate Management Team on the identification and evaluation of risk and suggest improvements to controls.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- J.5 To notify the Chief Finance Officer immediately of any loss, liability or damage that may lead to a claim against the Authority, together with any information or explanation required by the Chief Finance Officer or the Authority's insurers.
- J.6 To identify the key strategic and operational risks facing Council services and to document them in a risk register. The likelihood and potential impact of each risk shall be evaluated and recorded in the register along with the measures taken to reduce the risks to an acceptable level. Risk registers shall be maintained for both corporate and service level risks and their content regularly reviewed and updated. Separate risk registers shall also be kept for major projects.
- J.7 To ensure that there are regular reviews of risk within their departments.
- J.8 To notify the Chief Finance Officer promptly of all new risks, equipment, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- J.9 To consult the Chief Finance Officer and the Monitoring Officer on the terms of any indemnity that the Authority is requested to give.
- J.10 To ensure that employees, or anyone covered by the Authority's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.
- J.12 To ensure that a Business Continuity Plan exists and is maintained and followed as appropriate.

K. Internal Controls**Why is this important?**

The Authority is complex and therefore requires internal controls to manage and monitor progress towards strategic objectives and to monitor compliance with statutory obligations.

The Authority faces a wide range of financial, 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.

Responsibilities of the Chief Finance Officer

- K.1 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.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- K.2 To ensure that the principles of internal control as defined by the Chief Finance Officer shall be observed as far as practicable in the allocation of all accounting duties, and to be responsible for maintaining these principles for all areas of work under their control.
- K.3 To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- K.4 To review existing controls in the light of changes affecting the Authority and to establish and implement new controls in line with guidance from the Chief Finance Officer and Head of Internal Audit. Heads of Service shall not remove existing controls without consultation with the Head of Internal Audit.
- K.5 To ensure staff have a clear understanding of the consequences of lack of internal control.

L. Audit Requirements

(a) *Internal audit*

Why is this important?

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”. The Accounts and Audit Regulations 2015 (SI 2015/184), Regulation 5, more specifically require that a “relevant authority must undertake an effective Internal Audit to evaluate the effectiveness of risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”

Accordingly, internal audit is an independent and objective appraisal function established by the Authority for reviewing the system of internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

Responsibilities of the Chief Finance Officer

- L.1 To maintain an adequate and effective internal audit of all financial activities of the Council to the satisfaction of the Chief Finance Officer, which shall be carried out independently of the management and be operated in accordance with, the Public Sector Internal Audit Standards as interpreted by, amended or supplemented by nationally approved guidance on professional practice. The Head of Internal Audit, in carrying out these activities on behalf of the Chief

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Finance Officer, shall have a direct right of access to the Audit and Standards Committee, and/or Cabinet and Council if the circumstances so warrant.

- L.2 To ensure that the Head of Internal Audit shall have authority to visit any Council establishment and have access to such records and documents as required. They shall also have authority to visit any premises, after reasonable notice has been given, where a Contractor who is subject to these Procedure Rules and/or Procurement Procedure Rules is carrying out or performing a Service Contract. They may require the production of cash, stores and other Council property, and shall be entitled to receive such explanations as they consider necessary.
- L.3 To approve the annual audit plans prepared by the Head of Internal Audit, which take account of the characteristics and relative risks of the activities involved.
- L.4 To regularly review, appraise and report upon the adequacy of all financial systems together with the control of the Council's assets and interests and shall submit an Annual Governance Report thereon to the Audit and Standards Committee.

Responsibilities of Head of Internal Audit

- L.5 To prepare a risk-based annual audit plan ensuring good coverage of the Council's key financial risks and to report a summary of all internal audit activity to the Audit and Standards Committee on a quarterly basis.
- L.6 To report their overall opinion on the Council's control environment, together with a summary of the work that supports that opinion, to the Audit and Standards Committee on an annual basis
- L.7 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.
- L.8 To ensure that there is effective liaison between internal and external audit.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- L.9 To ensure that internal auditors are given access at all reasonable times to all premises, personnel, documents, records and assets that the auditors consider necessary for the purposes of their work.
- L.10 To ensure that internal auditors are provided with any information and explanations that they seek in the course of their work.
- L.11 To consider and respond promptly to recommendations in audit reports.
- L.12 To ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion.
- L.13 The Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service, or Contractor who is subject to these

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Procedure Rules, shall notify the Chief Finance Officer or Head of Internal Audit immediately of any circumstances which suggest the possibility of any irregularity affecting cash, stores or other property of the Council, or any other suspected irregularity in the exercise of the functions of the Authority.

- L.14 To ensure that new systems for maintaining financial records, or records of assets, or significant changes to such systems, are discussed with and agreed by the Head of Internal Audit prior to implementation.

(b) External Audit

Why is this important?

The Local Government Finance Act 1982 set up the Audit Commission, which until 31 March 2015 was responsible for appointing external auditors to each local authority in England and Wales. The Council opts in to the contract management arrangements operated by the Public Sector Audit Appointments Ltd under the local audit framework established by the Local Audit and Accountability Act 2014.

The external auditor has rights of access to all documents and information necessary for audit purposes.

The code of audit practice issued in April 2020 sets out the auditor's objectives to review and report upon the financial aspects of the audited body's corporate governance arrangements and also the audited body's financial statements including arrangements to secure the economic, efficient and effective use of resources.

Responsibilities of the Chief Finance Officer

- L.15 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.
- L.16 To ensure there is effective liaison between external and internal audit.
- L.17 To work with the external auditor and advise the Council, Audit and Standards Committee, Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service* on their responsibilities in relation to external audit.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- L.18 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.
- L.19 To ensure that all records and systems are up to date and available for inspection.

M. Preventing Fraud and Corruption

Why is it this important?

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

expectation of propriety and accountability is that elected Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. The Authority also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the Authority with integrity and without thought or actions involving fraud and corruption.

Responsibilities of the Chief Finance Officer

- M.1 To maintain adequate and effective internal control arrangements.
- M.2 To ensure that all suspected irregularities are reported to the Head of Internal Audit

Responsibilities of the Head of Internal Audit

- M.3 To develop and maintain an anti-fraud and anti-corruption policy.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- M.4 To ensure that all suspected irregularities or financial improprieties are reported to the Head of Internal Audit or Chief Finance Officer who will advise on the most appropriate course of action.
- M.5 To be responsible for maintaining the internal control system and the prevention and detection of fraud and other illegal acts.
- M.6 To instigate the Authority's disciplinary procedures where the outcome of an Internal Audit or similar investigation indicates improper behaviour.

Responsibilities of the Monitoring Officer

- M.7 To maintain and regularly update the officer register of gifts and hospitality (all officers) and the officer register of interests (management grade holders).

N. Assets

(a) Security of Property (*Tangible and Intangible Assets*)

Why is this important?

The Authority holds assets in the form of property, computers, equipment, furniture and 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.

Responsibilities of the Chief Finance Officer

- N.1 To ensure that an Asset Register is maintained 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 Authority with information about fixed assets so that they are:

- safeguarded,
 - used efficiently and effectively, and
 - adequately maintained.
- N.2 To receive the information required for accounting, costing and financial records from each Head of Service.
- N.3 To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting* in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC).

Responsibilities of Director - Place and Climate Change

- N.4 To maintain a property database for all land and property currently owned or used by the Authority. Any use of property by a service or establishment other than for direct service delivery should be supported by documentation identifying terms, responsibilities and duration of use.
- N.5 To be responsible for maintaining a terrier of Council properties.
- N.6 To ensure that upon the termination of any lease, concession, grazing right or other agreement, a report upon the future use of the property shall be submitted to Cabinet unless a relevant delegation is in place.
- N.7 To be responsible for ensuring that all title deeds are held in a secure manner.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- N.8 To be responsible for the security and safe keeping of all cash, equipment, stores and other property under his / her control in accordance with procedures approved by the Chief Finance Officer.
- N.9 To keep inventories (as per proforma attached as Appendix 1) of Council-owned plant, equipment, furniture etc. in a manner approved by the Chief Finance Officer, where the value exceeds £50. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the Authority.
- N.10 To notify the Chief Finance Officer of all new assets acquired for insurance and asset register purposes.
- N.11 To consult the Chief Finance Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- N.12 To ensure cash holdings on premises are kept within insured limits.
- N.13 To ensure that keys to safes and similar receptacles are held securely by those responsible at all times; loss of any such keys must be reported to the Chief Finance Officer as soon as possible.
- N.14 To make arrangements for the disposal of surplus assets or writing-off of stores and inventory items subject to approval in writing by the Chief Finance Officer. Such disposals must be recorded and should normally be by

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competitive tender or public auction unless the Chief Finance Officer agrees otherwise in writing.

- N.15 To ensure that all employees are aware that they have a personal responsibility with regard to the protection and 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 Authority in some way.
- N.16 To be responsible for the recording and control of assets, stocks, stores and inventories in his / her service and to notify the Chief Finance Officer of any discrepancies.
- N.17 To regularly review and physically check all assets, stocks, stores and inventories at least annually, or otherwise as agreed by the Chief Finance Officer.
- N.18 To make sure that all assets are only used in the course of the Authority's business, unless the Chief Executive, Deputy Chief Executive, Director - Place and Climate Change or relevant *Head of Service* concerned has given permission otherwise.

(b) *Intellectual property*

Why is this important?

Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee.

Certain activities undertaken within the Authority may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

Responsibilities of the Chief Finance Officer

- N.19 To develop and disseminate good practice through the Authority's intellectual property procedures.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- N.20 To ensure that controls are in place to ensure that staff do not carry out private work in Council time and that staff are aware of an employer's rights with regard to intellectual property.

O. Treasury Management, Banking and Petty Cash

Why is this important?

Many millions of pounds pass through the Authority's books each year. This led to the establishment of codes of practice. These aim to provide assurances that the Authority's money is properly managed in a way that balances risk with return, but

with the overriding consideration being given to the security of the Authority's capital sum.

General

- O.1 The Council has adopted CIPFA's "Treasury Management in the Public Services: Code of Practice (the Code) as described in Section 4 of that Code.
- O.2 Accordingly, the Council has created and will maintain, as the cornerstones of effective Treasury Management:
 - A Treasury Management Policy Statement (TMPS), stating the policies and objectives of its treasury management activities.
 - Suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives.

Responsibilities of Chief Finance Officer

- O.3 To be responsible for all necessary borrowings, repayments of loans and investments which shall be within the Council's policy and in the name of the Council.
- O.4 All money in the hands of the Council shall be aggregated for the purposes of treasury management and be under the control of the Chief Finance Officer.
- O.5 To report to Audit and Standards Committee and Cabinet on the treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, and an annual report after its close in the form prescribed in its TMPs.
- O.6 To be responsible for the implementation and monitoring of the Council's treasury management policies and practices and for the execution and administration of delegated treasury management decisions and to act in accordance with the Council's Policy Statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
- O.7 To be responsible for the operation and terms of all the Council's banking, giro and investment accounts and for the ordering, use and control of cheques, payment forms and other payment media.
- O.8 To advance such sums by way of imprest accounts as they deems reasonable and to approve the nature and amounts of payments which can be made from the account and the records which need to be kept.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- O.9 To follow the instructions on banking and imprest accounts issued by the Chief Finance Officer.

- O.10 To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Council, following consultation with the Chief Finance Officer.
- O.11 To arrange for all trust funds to be held, wherever possible, in the name of the Authority. All officers acting as trustees by virtue of their official position shall deposit securities, etc., relating to the trust with the Chief Finance Officer, unless the deed otherwise provides.
- O.12 To arrange, where funds are held on behalf of third parties, for their secure administration, approved by the Chief Finance Officer, and to maintain written records of all transactions.
- O.13 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.
- O.14 To ensure that employees operating an imprest account:
 - (a) obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained;
 - (b) make adequate arrangements for the safe custody of the imprest account;
 - (c) produce upon demand by the Chief Finance Officer cash and all vouchers to the total value of the imprest amount;
 - (d) record transactions promptly;
 - (e) reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder;
 - (f) provide the Chief Finance Officer with a certificate of the value of the account held at 31 March each year;
 - (g) ensure that the petty cash float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made; and
 - (h) on leaving the Authority's employment or otherwise ceasing to be entitled to hold an imprest advance, an employee shall account to the Chief Finance Officer for the amount advanced to them.

4. FINANCIAL SYSTEMS AND PROCEDURES

P. General

Why is this important?

Services have many systems and procedures relating to the control of the Authority's assets, including purchasing, costing and management systems. Services are reliant on computers 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 and errors detected promptly.

The Chief Finance Officer, who has a professional responsibility to ensure that the Authority's financial systems are sound, should therefore be notified of any new developments or changes.

Responsibilities of the Chief Finance Officer

- P.1 To make arrangements for the proper administration of the Authority's financial affairs, including to:
- (a) issue advice, guidance and procedures for officers and others acting on the Authority's behalf;
 - (b) determine the accounting systems, form of accounts and supporting financial records;
 - (c) establish arrangements for audit of the Authority's financial affairs;
 - (d) approve any new financial systems to be introduced; and
 - (e) approve any changes to be made to existing financial systems.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- P.2 To ensure that accounting records are properly maintained and held securely.
- P.3 To consult with the Chief Finance Officer concerning controls on new systems and on proposed changes to existing systems.
- P.4 To ensure that vouchers and documents with financial implications are not destroyed, except in accordance with arrangements approved by the Chief Finance Officer.
- P.5 To 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.
- P.6 To incorporate appropriate controls to ensure that, where relevant:
- (a) all input is genuine, complete, accurate, timely and not previously processed;
 - (b) all processing is carried out in an accurate, complete and timely manner; and
 - (c) output from the system is complete, accurate and timely.
- P.7 To 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.
- P.8 To ensure that systems are documented and staff trained in operations.

- P.9 To establish a scheme of delegation identifying officers authorised to act upon the Chief Executive, Deputy Chief Executive or Director - Place and Climate Change behalf in respect of payments, income collection and placing orders, including variations, and showing the limits of their authority.
- P.10 To ensure that the list of officers included in the “purchasing roles” document produced from the financial system is correct, before approval by the Chief Finance Officer, on an annual basis and as otherwise may be required as a result of changes in staff.
- P.11 To ensure that, where appropriate, computer systems are registered in accordance with Data Protection / General Data Protection Regulation legislation and that staff and Members are aware of their responsibilities in accordance with the Council’s Data Protection Policy.
- P.12 To ensure that the Council’s ICT Strategy covering the future use of computing facilities, is followed.
- P.13 To ensure that standards and guidelines set out in the Council’s ICT Policy, governing the use and security of information and communications technology facilities, and in particular intranet, email and copyright, designs and patents legislation are followed.

Q. Income and Expenditure**(a) Income****Why is this important?**

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

Responsibilities of the Chief Finance Officer

- Q.1 To be responsible for maintaining a system for recording and collecting all credit income.
- Q.2 To approve all arrangements for the collection, receipt, recording, banking and safe-keeping of Council income.
- Q.3 To satisfy himself regarding the arrangements for the control, order and supply of all receipt forms, order books or tickets and similar items issued direct to the departments.
- Q.4 For local taxation debts to delegate to the Revenues and Benefits Head of Service or equivalent to agree write off of debts up to £100,000 for the following reasons:
- (a) Insolvency – Liquidation and Bankruptcy
 - (b) Debt Relief Orders
 - (c) Individual Voluntary Arrangement
 - (d) Absconded – no trace of debtor including no longer residing in UK

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- (e) Adjustments required to Council tax accounts relating to administrative error in awarding discounts under the Council Tax Reduction Scheme, up to the value of the error.
- (f) Uneconomic to collect – dormant debts of £100 or less

- Q.5 For Housing Benefit Overpayment debts to delegate to the Revenues and Benefits Head of Service to write off Debts up to £25,000. For all other amounts and types of debt, the Chief Finance Officer to agree write offs up to £100,000. Write off of debts above £100,000 require the prior approval of Cabinet.
- Q.6 To submit as part of the annual financial outturn report to Cabinet, a summary of all debts written off during the financial year by type of debt, i.e. local taxation (council tax and business rates, housing benefit and sundry debts).
- Q.7 To approve the waiver or variation of any charge in respect of individual transactions and to seek approval of Cabinet to waivers or variations in excess of the approved write-off limit.
- Q.8 To ensure that appropriate accounting adjustments are made following write-off action. To cancel any debt that has been raised in error and make the necessary accounting adjustments. Such changes are not to be treated as a write off and are not subject to the approval and reporting limitations set out above. The Chief Finance Officer must maintain adequate records to justify taking such action.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- Q.9 To review all scales of charges annually in conjunction with the Chief Finance Officer or at such other times as the Chief Finance Officer deems necessary. No alteration to such scales may be made, or new scales introduced, except upon a report by the appropriate officer to Cabinet unless such powers of alteration have been previously delegated to an officer.
- Q.10 To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable.
- Q.11 To establish and initiate appropriate recovery procedures, in connection with the Chief Finance Officer, including legal action where necessary, for debts that are not paid promptly. The Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service have a responsibility to assist the Chief Finance Officer in collecting debts that they have originated, by providing any further information requested by the debtor, and in pursuing the matter on the Authority's behalf.
- Q.12 To be responsible for making satisfactory and secure arrangements for the order, control and supply of all receipt forms, order books or tickets and similar items obtained direct from the Reprographics Unit.
- Q.13 To issue official receipts or to maintain other documentation for income collection.

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- Q.14 To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- Q.15 To hold securely receipts, tickets and other records of income for the appropriate period as specified by the Chief Finance Officer.
- Q.16 To lock away all income, tickets etc., to safeguard against loss or theft, and to ensure the security of cash handling all to be within agreed insurance safe limits.
- Q.17 To ensure that income is paid fully and promptly into the Cashiers or appropriate authority bank account in the form in which it is received. Appropriate details should be recorded on to paying-in slips to provide an audit trail.
- Q.18 To ensure income is not used to cash personal cheques or other payments.
- Q.19 To supply the Chief Finance Officer with details relating to work done, goods supplied, services rendered or other amounts due, to enable the Chief Finance Officer to record correctly the sums due to the Authority and to ensure accounts are sent out promptly.
- Q.20 Revisions to the rent payable under the terms of any lease, concession or grazing right or other agreement shall be approved by Cabinet following a report to them unless specifically delegated to an Officer to determine.
- Q.21 To keep a record of every transfer of money between employees of the Authority. The receiving officer must sign for the transfer and the transferor must retain a copy.
- Q.22 To recommend to the Chief Finance Officer all debts to be written off and to keep a record of all sums written off up to the approved limit. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing 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.
- Q.23 To notify the Chief Finance Officer of all debts, which it is recommended are written off.
- Q.24 To record all sums written off and to adhere to the requirements of the latest applicable Accounts and Audit Regulations.
- Q.25 To notify the Chief Finance Officer of outstanding income not invoiced relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Chief Finance Officer and not later than 15 April.

(b) Ordering and paying for work, goods and services

Why is this important?

Public money should be spent with demonstrable probity and in accordance with the Authority's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Authority's procedures should help to ensure

that services obtain value for money from their purchasing arrangements and comply with all relevant national regulations.

General

- Q.26 For all procurement related rules please refer to the Council's Procurement Procedure Rules. For procurement of capital items please additionally refer to section G. Budgeting (d) capital programmes.

Responsibilities of the Chief Finance Officer

- Q.27 To ensure that all the Authority's financial systems and procedures are sound and properly administered and to approve any changes to existing financial systems and to approve any new systems before they are introduced.
- Q.28 To approve the form of Official Order to be used.
- Q.29 To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.
- Q.30 To make payments from the Authority's funds on the Head of Service's authorisation that the expenditure has been duly incurred in accordance with Financial Procedure Rules.
- Q.31 To make payments, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- Q.32 To make payments to contractors on the certificate of the appropriate Head of Service, which must include details of the value of work, retention money, amounts previously certified and amounts now certified.
- Q.33 To ensure compliance with relevant transparency requirement as detailed in Appendix 3.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- Q.34 To ensure that purchase orders in the Council's finance system are used for all goods and services, other than the exceptions specified by the Chief Finance Officer.
- Q.35 To ensure that orders are only used for goods and services provided to the department and that staff are aware that they must not use official orders to obtain goods or services for their private use.
- Q.36 To ensure that only those staff agreed by them and authorised by the Chief Finance Officer under P.10 authorise orders, maintain an up-to-date list of such authorised staff, identifying in each case the limits of their authority and to supply a copy to the Chief Finance Officer.

- Q.37 To ensure that before authorising an order the responsible officer shall be satisfied that the Council's Financial Procedure Rules and Procurement Procedure Rules have been followed throughout the procurement exercise.
- Q.38 To ensure that goods 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 person who authorised the order. Appropriate entries should then be made in inventories or stores records.
- Q.39 To ensure their departments comply with the requirements of the relevant Transparency requirements detailed in Appendix 3.

Invoices without Orders

- Q.40 To ensure that payment is not made unless a proper VAT invoice has been received, checked, coded and certified for payment, confirming:
- (a) that the goods or services have been received;
 - (b) that the invoice has not previously been paid.
 - (c) that expenditure has been properly incurred and is within budget provision except expenditure under the provision of Q.30;
 - (d) that prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices;
 - (e) that tax has been correctly accounted for;
 - (f) that the invoice is correctly coded;
 - (g) that discounts have been taken where available; and
 - (h) that appropriate entries will be made in accounting records.
- Q.41 To ensure that:
- (a) the receipt of goods or services,
 - (b) the checking of the prices and arithmetic, and
 - (c) the authorisation for payment of invoices are carried out by different persons.
- Q.42 to ensure that any invoice received without a PO will be returned to the supplier for a PO to be added. Where this is not possible due to the nature of the services supplied (e.g. utility bills) ensure the invoice is checked and the relevant coding added and returned to the Accounts Payable Team.
- Q.43 Where goods or services have been paid for in advance, the Chief Executive, Deputy Chief Executive, Director - Place and Climate Change or relevant Heads of Service shall be responsible for ensuring that the goods or services are subsequently received and that any subsequent invoice is clearly marked "paid" and sent to the Chief Finance Officer to support the original payment.
- Q.44 To be responsible for maintaining a system to prevent duplicate payments of invoices.
- Q.45 To ensure that payments are not made on a photocopied or faxed invoice or a statement unless certified by the Chief Finance Officer.

- Q.46 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Chief Finance Officer.
- Q.47 To notify the Chief Finance Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Chief Finance Officer and, in any case, not later than 30 April.
- Q.48 With regard to contracts for construction and alterations to buildings and for civil engineering works, to document and agree with the Chief Finance Officer the systems and procedures to be adopted in relation to financial aspects, including certification of interim and final payments, checking, recording and authorising payments, the system for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.
- Q.49 To notify the Chief Finance Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- Q.50 To ensure that all appropriate payment records are retained and stored for the defined period, in accordance with the document retention schedule.

(c) *Payments to employees and members*

Why is this important?

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

Responsibilities of the Head of Human Resources

- Q.51 To be responsible for the calculation and payment of salaries, wages and all other emoluments unless other arrangements are agreed by the Chief Finance Officer.
- Q.52 To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions.
- Q.53 To make arrangements for payment of all travel and subsistence claims to staff.
- Q.54 To make arrangements for paying Members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- Q.55 To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

Appendix A

- Q.56 To ensure appointments are made in accordance with the procedure rules of the Authority and approved establishments, grades and scale of pay and that adequate budget provision is available including provision for equipment and training where appropriate.
- Q.57 To 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
- Q.58 To be responsible for the accuracy of all information passed to the Head of Human Resources, which is used for making such payments to staff.
- Q.59 To send an up-to-date list of the names of officers authorised to approve or sign timesheets, etc., to the Head of Human Resources, together with specimen signatures if required.
- Q.60 All overtime must be agreed in advance in writing by the relevant Head of Service.
- Q.61 To ensure that payroll transactions are processed only through the payroll system. The Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and *Heads of Service* should give careful consideration to the employment status of individuals employed on a self-employed consultant or subcontract basis. HM Revenue and Customs applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Head of Human Resources.
- Q.62 To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowances are properly payable by the Authority, 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.
- Q.63 To 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.
- Q.64 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule.

(d) Appointment of Consultants

Why is this important?

The cost of consultants is considered to be an expensive commitment. It is important that a proper decision is taken before these are engaged.

General

- Q.65 Appointments of consultants should be made in accordance with Procurement Procedure Rules.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- Q.66 The appropriate Head of Service must consult with the Head of Human Resources on fees to be paid to and the insurance status of any consultants before the appointment is made.
- Q.67 It shall be a condition of the appointment of any consultant who is responsible to the Council for services in respect of works on its behalf that in relation to those works they shall:
- (a) comply with the Council's Financial Procedure Rules relating to Financial Systems and Procedures and also the Council's Procurement Procedure Rules as though they were an Officer of the Council;
 - (b) at any time the carrying out of the works, produce to the appropriate Head of Service, or his / her representative, on request, all the records maintained by him in relation to the works; and
 - (c) on completion of the works, transmit all such records or copies thereof to the appropriate Head of Service.

R Taxation

Why is this important?

Like all organisations, the Authority 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.

Responsibilities of the Head of Human Resources

- R.1 To complete all HM Revenue and Customs returns regarding PAYE by the appropriate deadlines.

Responsibilities of the Chief Finance Officer

- R.2 To complete monthly returns of VAT inputs and outputs to HM Revenue and Customs by the appropriate deadlines.
- R.3 To provide details to HM Revenue and Customs regarding the construction industry tax deduction scheme.
- R.4 To maintain up-to-date guidance for authority employees on taxation issues in the accounting manual and the VAT tax manual.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- R.5 To ensure that the correct VAT liability is attached to all income due in liaison with the Chief Finance Officer and that all VAT recoverable on purchases complies with HM Revenue and Customs regulations.

- R.6 To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- R.7 To ensure that all persons employed by the Authority are added to the Authority'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.
- R.8 To follow the guidance on taxation issued by the Chief Finance Officer.

S Trading Accounts

Why is this important?

Trading accounts have become more important as local authorities have developed a more commercial culture. Under the CIPFA best value accounting code of practice, authorities are required to keep trading accounts for services provided on a basis other than straightforward recharge of cost.

Responsibilities of the Chief Finance Officer

- S.1 To advise on the establishment and operation of trading accounts and business units.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- S.2 To consult with the Chief Finance Officer where a business unit wishes to enter into a contract with a third party where the contract expiry date exceeds the remaining life of their main contract with the Authority. In general, such contracts should not be entered into unless they can be terminated within the main contract period without penalty.
- S.3 To observe all statutory requirements in relation to business units, including the maintenance of a separate revenue account to which all relevant income is credited and all relevant expenditure, including overhead costs, is charged, and to produce an annual report in support of the final accounts.
- S.4 To ensure that the same accounting principles are applied in relation to trading accounts as for other services or business units.
- S.5 To ensure that each business unit prepares an annual business plan.

5. EXTERNAL ARRANGEMENTS

T Partnerships

Why is this important?

Partnerships are likely to play a key role in delivering community strategies and in helping to promote and improve the well-being of the area. Local authorities are working in partnership with others – public agencies, private companies, community groups and voluntary organisations. Local authorities 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 wishes.

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

General

T.1 The main reasons for entering into a partnership are:

- (a) the desire to find new ways to share risk;
- (b) the ability to access new resources;
- (c) to provide new and better ways of delivering services.

T.2 A partner is defined as either:

- (a) an organisation (private, public or third sector*) undertaking, part funding or participating as a beneficiary in a project, or
- (b) a body whose nature or status give it a right or obligation to support the project.
- (c) an individual whose contribution gives them a right or obligation to support the project.

**third sector – this incorporates voluntary or community groups and social enterprise.*

T.3 Partners participate in projects by:

- (a) acting as a project deliverer or sponsor, solely or in concert with others;
- (b) acting as a project funder or part funder; or
- (c) being the beneficiary group of the activity undertaken in a project.
- (d) planning and/or monitoring partnership deliverables and outcomes.

T.4 Partners have common responsibilities:

- (a) to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;
- (b) to act in good faith at all times and in the best interests of the partnership's aims and objectives;
- (c) be open about any conflict of interests that might arise;
- (d) to encourage joint working and promote the sharing of information, resources and skills between public, private and community sectors;
- (e) to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature; and
- (f) to act wherever possible as ambassadors for the project.

Responsibilities of the Chief Finance Officer

T.5 To advise on effective controls that will ensure that resources are not wasted for e.g.:

- (a) Terms of Reference
- (b) Clear forward plans
- (c) Monitoring reports

T.6 To advise on the key elements of funding a project. They include:

- (a) a scheme appraisal for financial viability in both the current and future years;
 - (b) risk appraisal and management;
 - (c) resourcing, including taxation issues;
 - (d) audit, security and control requirements; and
 - (e) carry-forward arrangements.
- T.7 To ensure that the accounting arrangements are satisfactory.
- T.8 To maintain a register of all partnerships entered into with external bodies in accordance with procedure specified by the Chief Finance Officer.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- T.9 To notify the Chief Finance Officer of any partnership entered into in the format agreed by the Chief Finance Officer.
- T.10 To ensure that, before entering into partnerships, a risk management appraisal has been prepared for the Chief Finance Officer.
- T.11 To ensure that such agreements and arrangements do not impact adversely upon the services provided by the Authority.
- T.12 To ensure that all agreements and arrangements are properly documented.
- T.13 To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the Authority's statement of accounts concerning material items.

U Subsidiary Companies

Why is this important?

Increasingly Councils are creating wholly or partly owned companies in order to deliver specific priorities, such as housing. The use of companies gives greater freedoms to operate and trade than would be the case if delivered directly by the Council. However it is important that the Council as shareholder maintains an oversight of the operations of the company(ies) to ensure that public funding is not at put at unacceptable levels of risk.

Responsibilities of the Chief Finance Officer

- U.1 to ensure suitable accounting arrangements are in place.
- U.2 to ensure the company adopt suitable procurement procedures to ensure best value.
- U.3 to ensure that any taxation implications resulting from the operations of the company are properly considered and managed.
- U.4 to ensure the recovery of costs of services delivered to the company by the Council.

- U.5 to ensure proper funding agreements are in place as required to ensure the security and recovery of the funding.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- U.6 to notify the Chief Finance Officer of the expected creation of a company by the Council as sole or joint shareholder.
- U.7 to assess the level of risk on the Council as a result of establishing the company.
- U.8 to ensure a proper business plan is in place for the Company and accepted by the Council.
- U.9 to ensure adequate governance arrangements are in place.
- U.10 to ensure an adequate Service Level Agreement is in place covering all services provided to the company by the Council.

V External Funding

Why is this important?

External funding is potentially a very 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 Authority. Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other agencies and private service providers. Funds from external agencies such as the National Lottery provide additional resources to enable the Authority to deliver services to the local community. However, 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 Authority's overall plan.

Responsibilities of the Chief Finance Officer

- V.1 To ensure that all funding notified by external bodies is received and properly recorded in the Authority's accounts.
- V.2 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- V.3 To ensure that all specified audit requirements are met.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- V.4 To ensure that all claims for funds are made by the due date.
- V.5 To ensure that the project progresses in accordance with the agreed project plan and that all expenditure is properly incurred and recorded and to ensure that all expenditure complies with any terms and conditions attached to grant funding.

W Work For Third Parties

Why is this important?

Current legislation enables the Authority to provide a range of services to other bodies. Such work may enable a unit to maintain economies of scale and existing expertise. Arrangements should be in place to ensure that any risks associated with this work is minimised and that such work is intra vires (i.e. legal).

Responsibilities of Chief Finance Officer

- W.1 To issue guidance as appropriate with regard to the financial aspects of third party contracts.

Responsibilities of Chief Executive, Deputy Chief Executive, Director - Place and Climate Change and Heads of Service

- W.2 To ensure that the approval of Cabinet where necessary is obtained before any negotiations are concluded to work for third parties.
- W.3 To maintain a register of all contracts entered into with third parties in accordance with procedures specified by the Chief Finance Officer.
- W.4 To ensure that appropriate insurance arrangements are made.
- W.5 To ensure that the Authority is not put at risk from any bad debts.
- W.6 To ensure that no contract is subsidised by the Authority.
- W.7 To ensure that, wherever possible, payment is received in advance of the delivery of the service.
- W.8 To ensure that the service/unit has the appropriate expertise to undertake the contract.
- W.9 To ensure that such contracts do not impact adversely upon the services provided for the Authority.
- W.10 To ensure that all contracts are properly documented.
- W.11 To provide appropriate information to the Chief Finance Officer to enable a note to be entered into the statement of accounts.

EXAMPLES OF INCOME/EXPENDITURE RECORDS

Income

- **Payments Received by Post** – Post opening must be performed in the presence of another person. All cash received should be recorded in a book and witnessed by a second person. Cheques should be listed and totalled with each item cross-referenced to the relevant customer account. A separate record must also be kept of post-dated cheques and any items returned to the payee for amendment.
- **Receipt Books** – All copy receipts should be retained in the book of issue. The top copy of any spoilt receipts should also be retained to ensure that they can be accounted for. All receipts should be dated, show the payee name, amount received, method of payment (i.e. cash or cheque) and contain sufficient information for the transaction to be traced to the relevant customer account/file.
- **Other Receipts** – Copy receipts should be attached to any relevant documentation and filed in a logical order for future reference. For example, the copy receipt might be kept in the customers file or retained separately with other receipts in date order. All receipts should be dated, show the payee name, amount received, method of payment and contain sufficient information for the transaction to be traced to the relevant customer account/file.
- **Income Returns** – All income returns should be dated and retained in date/number order. The items recorded on the return should contain sufficient information for each transaction (or group of transactions) to be traced to the relevant receipt numbers of customer accounts.

Expenditure

- **Payment of Invoices** – Each Service should maintain a summary record of all invoices passed for payment. This may take the form of a paper record or computer spreadsheet. Only the briefest of information needs to be kept for each invoice but the following details should be kept as a minimum:
 - Purchase order number (where applicable)
 - Supplier name
 - Invoice date
 - Invoice number
 - Brief description of goods/services
 - Invoice total
 - Date passed for payment

Any previous entries for the same supplier should be referred to before each invoice is processed to ensure that the same goods/services are not paid for twice.

INVENTORY OF OFFICE EQUIPMENT, MACHINERY & FURNITURE

SERVICE:

DATE:

Office:

Responsible Officer:

Note: Do not include stationery, pens, rulers, staplers, filing trays or computer equipment (held in separate inventory). Where the deletion/addition is due to a movement to/from another room please note which room.

OVERVIEW OF PROCUREMENT RELATED TRANSPARENCY REQUIREMENTS APPLICABLE TO UK LOCAL AUTHORITIES

1. Expenditure exceeding £500		
Minimum requirements	Recommended	Required by
<p>QUARTERLY</p> <p>Publish details of each individual item of expenditure that exceeds £500, including items of expenditure, consistent with Local Government Association guidance, such as:</p> <ul style="list-style-type: none"> • individual invoices • grant payments • expense payments • payments for goods and services • grants • grant in aid • rent • credit notes over £500 • transactions with other public bodies. <p>For each individual item of expenditure the following information must be published:</p> <ul style="list-style-type: none"> • date the expenditure was incurred • local authority department which incurred the expenditure • beneficiary • summary of the purpose of the expenditure • amount • Value Added Tax that cannot be recovered • merchant category (eg. computers, software etc.). 	<ul style="list-style-type: none"> • Publish information on a monthly instead of quarterly basis, or ideally, as soon as it becomes available and therefore known to the Authority (commonly known as 'real-time' publication) • Publish details of all transactions that exceed £250 instead of £500 (same individual information items) • Publish the total amount spent on remuneration over the period being reported on • Classify expenditure using the Chartered Institute of Public Finance and Accountancy Service Reporting Code of Practice to enable comparability between local authorities. 	Local Government Transparency Code 2015

2. Government Procurement Card transactions		
Minimum requirements	Recommended	Required by
<p>QUARTERLY</p> <p>Publish details of every transaction on a Government Procurement Card. For each transaction, the following details must be published:</p> <ul style="list-style-type: none"> • date of the transaction • local authority department which incurred the expenditure • beneficiary • amount • Value Added Tax that cannot be recovered • summary of the purpose of the expenditure • merchant category (eg. computers, software etc). 	<p>Publish all transactions on all corporate credit cards, charge cards and procurements, including those that are not a Government Procurement Card (same individual information items).</p>	<p>Local Government Transparency Code 2015</p>
3. Invitations to Tender over £5,000		
<p>QUARTERLY</p> <p>Publish details of every invitation to tender for contracts to provide goods and/or services with a value that exceeds £5,000. For each invitation, the following details must be published:</p> <ul style="list-style-type: none"> • reference number • title • description of goods and/or services sought • start, end and review dates • local authority department responsible. 	<p>Place on Contracts Finder, as well as any other local portal, every invitation to tender or invitation to quote for contracts to provide goods and/or services with a value that exceeds £10,000.</p> <p>Publish:</p> <ul style="list-style-type: none"> • information on a monthly instead of quarterly basis, or ideally, as soon as it is generated and therefore becomes available (commonly known as 'real-time' publication) • every invitation to tender for contracts to provide goods and/or services with a value that exceeds £500 instead of £5,000 • details of invitations to quote where there has not been a formal invitation to tender • details of invitations to tender or invitations to quote that are 	<p>Local Government Transparency Code 2015</p>

	likely to be issued in the next twelve months	
4. Contracts, commissioned activity, purchase orders and other legally enforceable agreements with a value which exceeds £5,000		
Minimum requirements	Recommended	Required by
<p>QUARTERLY</p> <p>Publish details of any contract, commissioned activity, purchase order, framework agreement and any other legally enforceable agreement with a value that exceeds £5,000.</p> <p>For each contract, the following details must be published:</p> <ul style="list-style-type: none"> • reference number • title of agreement • local authority department responsible • description of the goods and/or services being provided • supplier name and details • sum to be paid over the length of the contract or the estimated annual spending or budget for the contract • Value Added Tax that cannot be recovered • start, end and review dates • whether or not the contract was the result of an invitation to quote or a published invitation to tender • whether or not the supplier is a small or medium sized enterprise and/or a voluntary or community sector organisation and where it is, provide the relevant registration number. 	<p>Publish:</p> <ul style="list-style-type: none"> • all contracts in their entirety where the value of the contract exceeds £5,000 • company registration number at Companies House • details of the geographical (eg. by ward) coverage of contracts entered into by the local authority • details of performance against contractual key performance indicators • information disaggregated by voluntary and community sector category (eg. whether it is registered with Companies House, charity or charitable incorporated organisation, community interest company, industrial and provident society, housing association, etc) • details of existing waste collection contracts, at the point they first publish quarterly contract information under Part 2 of the Code. 	Local Government Transparency Code 2015
5. Publication on Contracts Finder of Advertised contract opportunities with values of £25,000 and above		
Minimum requirements	Required by	
<p>A contracting authority must publish information about the opportunity on Contracts Finder, regardless of what other means it uses to advertise the opportunity.</p> <p>It must do so within 24 hours of the time when it first advertises the contract award opportunity in any other way.</p> <p>The following details must be published:</p> <ul style="list-style-type: none"> • The time by which any interested economic operator must respond if it wishes to be considered 	Public Contract Regulations 2015 (Chapter 8, para 110)	

<ul style="list-style-type: none"> • How and to whom such an economic operator is to respond • Any other requirements for participating in the procurement • Internet address where relevant contract documents are accessible free of charge (where offered) 	
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6. Publication of information on Contracts Finder about contracts awarded (value £25,000 and above)

Minimum requirements	Required by
<p>The contracting authority shall, within a reasonable time, publish on Contracts Finder at least the following:</p> <ul style="list-style-type: none"> • The name of the contractor • The date on which the contract was entered into • The value of the contract • Whether the contractor is a SME or VCSE <p>The contracting authority may withhold information from publication in certain circumstances</p>	Public Contract Regulations 2015, (chapter 8, para 112)

7. Grants to voluntary, community and social enterprise organisations

Minimum requirements	Recommended	Required by
<p>ANNUALLY</p> <p>Publish details of all grants to voluntary, community and social enterprise organisations. This can be achieved by either:</p> <ul style="list-style-type: none"> • tagging and hence specifically identifying transactions which relate to voluntary, community and social enterprise organisations within published data on expenditure over £500 or published procurement information or, • by publishing a separate list or register. <p>For each identified grant, the following information must be published as a minimum:</p> <ul style="list-style-type: none"> • date the grant was awarded • time period for which the grant has been given • local authority department which awarded the grant • beneficiary • beneficiary's registration number • summary of the purpose of the expenditure • amount. 	<ul style="list-style-type: none"> • Publish information on a monthly instead of annual basis where payments are made more frequently than a single annual payment, or ideally, as soon as the data becomes available and therefore known to the Authority (commonly known as 'real-time' publication). • information disaggregated by voluntary and community sector category (eg. whether it is registered with Companies House, charity or charitable incorporated organisation, community interest company, industrial and provident society, housing association etc). 	Local Government Transparency Code 2015

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AUDIT AND STANDARDS COMMITTEE

WORK PROGRAMME 2021 – 2022	
DATE OF COMMITTEE	SUBJECT
Monday 6 December 2021	<p>Part A – Standards Reports</p> <ul style="list-style-type: none"> • Code of Conduct Complaints Monitoring and other Standards Matters • Local Government and Social Care Ombudsman Complaints Monitoring <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Annual Audit Letter 2019/20 • Grant Thornton – Audit Findings Report 2020/21 • Grant Thornton – Audit Risk Assessment 2020/21 • Internal Audit Report to 30 September 2021 • Appointment of External Auditors
Monday 21 March 2022	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Audit Progress Report and Sector Update • Grant Thornton – External Audit Plan Year ending March 2022 • Statement of Accounts 2020/21 • Grant Thornton – Annual Audit Report 2022/23 Statement of Accounts • Internal Audit Report to 31 December 2021 • Internal Audit Strategy and Plan 2022/23 to 2024/25 • Review of Internal Audit 2021/22 • Annual Governance Statement 2021/22 • Annual Property Investment Update • Treasury Management Update • Accounting Policies 2021/22 • Annual Risk Register Update • Risk Management Service Area Update
April 2022 - TBC	
WORK PROGRAMME 2022 – 2023	
Monday 20 June 2022	<p>Part A – Standards Reports</p> <ul style="list-style-type: none"> • Code of Conduct Complaints Monitoring and other Standards Matters • Ombudsman Complaints Monitoring <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Internal Audit Report to 31 March 2022 • Treasury Management Update – 2021/22 Outturn

	<ul style="list-style-type: none"> • Annual Governance Statement • Annual Property Investment Update • Risk Management Service Area Update
Wednesday 27 July 2022	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Annual Governance Report 2021/22 • Statement of Accounts 2021/22 • Treasury Management Update
Monday 26 September 2022	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Internal Audit Report to 30 June 2022 • Treasury Management Update • Risk Management Service Area Update
Monday 5 December 2022	<p>Part A – Standards Reports</p> <ul style="list-style-type: none"> • Code of Conduct Complaints Monitoring and other Standards Matters • Local Government Ombudsman Complaints Monitoring and Annual Review 2021/2022 <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Internal Audit Report to 30 September 2022 • Risk Management Service Area Update • Treasury Management Update
Monday 20 March 2023	<p>Part A – Standards Reports (none scheduled)</p> <p>Part B – Audit Reports</p> <ul style="list-style-type: none"> • Grant Thornton – Audit Progress Report and Sector Update • Grant Thornton – External Audit Plan 2022/23 • Internal Audit Report to 31 December 2022 • Internal Audit Plan 2023/24 • Review of Internal Audit 2022/23 • Annual Governance Statement • Annual Property Investment Update • Treasury Management Update • Accounting Policies 2022/23 • Annual Risk Register Update • Risk Management Service Area Update