



11 May 2018

Dear Sir/Madam

A meeting of the Governance, Audit and Standards Committee will be held on Monday, 21 May 2018 in the New Council Chamber, Town Hall, Beeston commencing at 7.00pm.

Should you require advice on declaring an interest in any item on the agenda, please contact the Monitoring Officer at your earliest convenience.

Yours faithfully

Chief Executive

To Councillors: E H Atherton (Vice Chair) S A Bagshaw
 T P Brindley J W Handley (Chair)
 J C Goold J M Owen
 J W McGrath K E Rigby
 J C Patrick A W G A Stockwell

AGENDA

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

Members are requested to declare the existence and nature of any disclosable pecuniary interest and/or other interest in any item on the agenda.

3. MINUTES

PAGES 1 – 3

The Committee is asked to confirm as a correct record the minutes of the meeting held on 26 March 2018.

4. ANNUAL AUDIT LETTER 2016/17

The Council's external auditors KPMG will present the annual audit letter for 2016/17 to the Committee. The letter is circulated separately with this agenda.

5. THE CODE OF CONDUCT AND THE ROLE OF THE MONITORING OFFICER

An introduction and presentation by the Council's Interim Monitoring Officer.

6. CORPORATE GOVERNANCE ARRANGEMENTS PAGES 4 – 36

To inform the Committee of action taken to develop and comply with statutory obligations regarding corporate governance and to seek approval for the Annual Governance Statement for inclusion in the Council's published Statement of Accounts for 2017/18.

7. WORK PROGRAMME PAGE 37

To consider items for inclusion in the Work Programme for future meetings.

GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

26 MARCH 2018

Present: Councillor J W Handley, Chair

Councillors: E H Atherton
S A Bagshaw
T P Brindley
D A Elliott (substitute)
J C Goold
R I Jackson
J M Owen
P J Owen (substitute)
J C Patrick
A W G A Stockwell

An apology for absence was received from Councillor J W McGrath.

27. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

28. **MINUTES**

The minutes of the meeting held on 29 November 2017 were confirmed and signed.

29. **ANNUAL AUDIT LETTER 2016/17**

The Council's external auditors, KPMG, were present at the meeting and informed members that an unqualified opinion on the Council's accounts had now been issued.

30. **ANNUAL REPORT ON GRANTS AND RETURNS 2016/17**

A representative from KPMG attended the meeting to inform members that the annual report on grants and returns to work had been published.

31. **EXTERNAL AUDIT PLAN 2017/18**

A representative from the Council's auditors KPMG presented the Plan and provided members with an update on the progress in delivering its responsibilities.

32. STATEMENT OF ACCOUNTS 2017/18 – ACCOUNTING POLICIES

The Committee was informed that prior to the completion of the Statement of Accounts 2017/18, it was considered good practice that members were given the opportunity to discuss and comment on the accounting policies to be used in the production of the financial statements. These policies would be applied to the treatment of all transactions that make up the Statement of Accounts to ensure the accounts presented a true and fair view of the financial position of the Council as at 31 March 2018.

RESOLVED that the Accounting Policies for 2017/18 be approved.

33. STATEMENT OF ACCOUNTS 2017/18 – UNDERLYING PENSION ASSUMPTIONS

Members noted a report which provided information regarding the assumptions made by the pension fund actuary in calculating the International Accounting Standard 19 - Employee Benefits figures to be reported in the 2017/18 Statement of Accounts.

34. THE CODE OF CONDUCT AND THE ROLE OF THE MONITORING OFFICER

The item was deferred until the next meeting.

35. INTERNAL AUDIT PROGRESS REPORT

The Committee received a report informing of the work of Internal Audit. Members requested clarification on the segregation of duties with regard to storekeeping at Kimberley Depot. Officers stated that the separation of duties would not be cost effective and there was no question of wrongdoing.

36. CORPORATE GOVERNANCE ARRANGEMENTS

Members noted a report on the statutory obligations regarding corporate governance and the approach to be taken in the production of the Annual Governance Statement for inclusion in the Council's published financial accounts for 2017/18.

37. ANNUAL COUNTER FRAUD REPORT 2017

Members noted the Annual Counter Fraud Report 2017 which reports on issues related to corruption and money laundering prevention activity.

38. INTERNAL AUDIT REVIEW OF EFFECTIVENESS 2017/18

The Accounts and Audit Regulations 2015 required the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with proper practices, such as the Public Sector Internal Audit Standards that are mandatory for all principal local authorities.

It was proposed by Councillor R I Jackson and seconded by Councillor J W Handley that the resolution be amended to recognise the positivity of those involved with the creation of the Review of Effectiveness 2017/18. The amendment, on being put to the Committee, was carried.

RESOLVED that the review of the effectiveness of the system of internal audit be approved and to acknowledge the appreciation of the Committee for the work undertaken by the Internal Audit team.

39. INTERNAL AUDIT PLAN 2018/19

The Committee received a report informing of the work of Internal Audit and was informed that the Public Sector Internal Audit Standards required the Chief Audit and Control Officer, as the designated 'chief audit executive', to prepare an annual risk based audit plan.

RESOLVED that the Internal Audit Plan for 2018/19 be approved.

40. REVIEW OF STRATEGIC RISK REGISTER

Following the report to the last meeting of the Committee, and in accordance with the timescales set out in the Risk Management Strategy, the Strategic Risk Management Group met on 7 February 2018 to review the Strategic Risk Register. Members were informed that alternatives to the risk map were being considered. Suggestions would be reported to the Group prior to being submitted to the Committee.

RESOLVED that the amendments to the Strategic Risk Register and the action plans to mitigate risks, as set out in the appendix to the report, be approved.

41. WORK PROGRAMME

RESOLVED that the Work Programme be approved.

Report of the Chief Executive and the Interim Deputy Chief Executive

CORPORATE GOVERNANCE ARRANGEMENTS1. Purpose of report

To inform the Committee of action taken to develop and comply with statutory obligations regarding corporate governance and to seek approval for the Annual Governance Statement for inclusion in the Council's published Statement of Accounts for 2017/18.

2. Background

The preparation of an Annual Governance Statement is a requirement of the Accounts and Audit Regulations 2015. The Regulations require authorities to conduct a review, at least once in each financial year, of the effectiveness of its system of internal control and to include a statement reporting on the review with its statement of accounts. To support this process the Council follows proper practice as set out in the CIPFA/SOLACE publication *Delivering Good Governance in Local Government: Framework*. This Framework was initially produced in 2007 with a revised version published in April 2016. More detail about the framework and what it encompasses is given in appendix 1.

Under the Council's Constitution, this Committee is responsible for overseeing the maintenance of the internal control environment and for monitoring and making recommendations regarding the corporate governance arrangements. Appendix 2 sets out the actions the Council has taken during 2017/18 to advance the principles of the Code.

Appendix 3 starts with an explanation of the Council's governance arrangements, and goes on to give an update on implementation of the previous years identified governance improvement actions. It concludes with the draft Annual Governance Statement which is a plan showing the proposed actions to be taken in 2018/19. Once approved, it will be signed by the Leader of the Council and the Chief Executive prior to inclusion within the published accounts. The Chief Audit and Control Officer has confirmed that he considers that the current internal control environment is satisfactory such as to maintain the adequacy of the governance framework.

Recommendation

The Committee is asked to:

- 1. NOTE compliance with the Code on Delivering Good Governance in Local Government.**
- 2. RESOLVE that the draft Annual Governance Statement as shown in appendix 3 be approved in principle for inclusion in the Council's Statement of Accounts.**
- 3. DELEGATE responsibility to the Interim Deputy Chief Executive and the Chair of this Committee to make any further amendments deemed necessary.**

Background papers

Nil

Background

The CIPFA/SOLACE document *Delivering Good Governance in Local Government: Framework* was published in 2007. In 2012 it was given 'proper practices' status by the Department for Communities and Local Government. Local authorities are under a statutory obligation to follow the published approach unless there are valid reasons for not doing so.

The Framework has since been reviewed and in April 2016 was published with a new set of core principles and sub-principles. There are seven core principles which have been developed to bring them more in line with the principles of open government and to establish a greater focus on outcomes, rather than processes. Each is accompanied by numerous sub-principles which provide a very comprehensive set of arrangements for ensuring that good governance exists within the organisation and is embedded in its day-to-day operations.

The seven core principles and an explanation of the intention behind each one are as follows:

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

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies.

It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

B. Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good. Organisations should therefore ensure openness in their activities.

Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable.

Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved.

They need robust decision making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations.

Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods.

A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole.

Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

F. Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services.

Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically; it requires repeated public commitment from those in authority.

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

The Council’s governance arrangements are consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016 edition)*. This Statement explains how the Council has complied with these arrangements and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an Annual Governance Statement.

A summary of how we meet with each of the seven core principles, including evidence of the principle in action, and where improvement action or new steps have been taken in 2017/18 is provided below:

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

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
Member and officer Codes of Conduct set standards of behaviour for officers and members. These require adherence to the Nolan Principles. The Council’s values are consistent with the Nolan Principles and are embodied in its Corporate Plan.	Officer Code of Conduct Member Code of Conduct Corporate Values A new officer Code of Conduct was developed and approved by the Local Joint Consultative Committee on 7 December 2017 and then Policy and Performance Committee on 6 February 2018.
The Constitution contains a protocol for member and officer relationships.	An external investigation was commissioned by the Policy and Performance Committee to look into integrity concerns relating to officer conduct (16 November 2016). Following the external investigation an Ad Hoc Committee was set up to consider further action following the external investigation. External investigation minute Ad Hoc Committee
The Council collects data relating to its workforce and reviews this through the annual workforce profile to identify any inequity unfairness or prejudice through recruitment procedures or the operation of any other HR practices.	The Workforce Profile (the latest completed profile 2016/17) was reviewed by the General Management Team. As required by law Broxtowe published information regarding this gender pay gap. Broxtowe Gender Pay Gap

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
<p>The Council holds members to account for their behaviour by addressing allegations of breaches of the member code of conduct</p> <p>An independent person has been appointed to deal with standards issues that arise.</p>	<p>11 Code of Conduct complaints against members were dealt with. None involved allegations of fraud or corruption.</p>
<p>The Complaints procedure. Complaints present an opportunity for improvement and can identify systemic or behavioural failings which need to be addressed</p>	<p>Complaints Policy</p> <p>Annual complaints report to Governance Audit and Standards Committee</p> <p>Annual complaints report for 2016/17</p> <p>The report provides details, in particular, of those complaints that are referred to the Ombudsman. Any complaints where a financial settlement is appropriate, or has been made, are also reported in detail to this Committee.</p> <p>Through its performance monitoring oversight the Finance and Resources Committee required improvement in speed of acknowledgement of complaints and requested regular reports</p> <p>Example Complaints report to Finance and Resources Committee</p> <p>Through its annual equality and diversity report to Policy Committee, members review whether there may be any inequality or unfairness indicated apparent through the protected characteristics of complaints.</p> <p>Equality and Diversity Annual Report 2017/18</p>

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
<p>The Council holds employees to account in respect of their conduct and behaviour. The number of disciplinary , grievance and whistleblowing complaints dealt with is set out in the annual workforce profile</p>	<p>Whistleblowing Policy and Disciplinary Policy, Policy and Performance Committee 21 November 2017 Grievance Policy, Bullying and Harassment Policy, Personal Relationships Policy and Stress Management Policy - Policy and Performance Committee 3 October 2017 Protocol for handling anonymous communications Recommendations for improvement arising from the external investigation were implemented including introduction of the following new policies:</p> <ul style="list-style-type: none"> • Revised Whistleblowing Policy • Revised Disciplinary Policy • Revised Grievance Policy • Revised Bullying and Harassment Policy • Personal Relationships Policy • Stress Management Policy • Protocol for handling anonymous communications <p>Changes were also made to the</p> <ul style="list-style-type: none"> • Evaluation and Re-evaluation of Posts Policy • Alcohol and Drugs Misuse Policy • Compassionate Leave and Flexi-Time Policies. • The Clean Air Environment Policy was replaced by the Smoke Free Site Policy • The Personal Use of Social Media was introduced • An amendment was made to Financial Regulation 14.4 to allow delegated authority over lettings, negotiations and settlement of leases within the Beeston Square up to the value of £100,000
	<p>Core Abilities Framework/Personal Appraisal system A new online employee personal appraisal and action planning system based on the Council's values was introduced. This resulted in a much higher completion rate of appraisals during the course of the year</p>

Opportunities for further improvement

1. It is intended to further communicate, embed and reinforce the Council's values and ethical standards through conducting ethical workshops for employees in 2018/19.
2. The Council has developed an online training module for the new Code of Conduct which will be introduced during 2018/19 and be a requirement for every employee to complete.

3. An area for improvement is the extent to which the Council monitors the ethical standards demonstrated by external providers of services. A new Procurement and Contracts Officer will lead efforts to improve this in 2018/19.

B. Ensuring openness and comprehensive stakeholder engagement

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
<p>The Council has a variety of means through which it seeks to engage and inform employees. Mechanisms include section team meetings, senior management meetings, email bulletins and the internal communications group. There are also internal working groups on which there is cross departmental representation</p>	<p>Monthly Team Briefings Equality Working Group Broxtowe Employee News bulletin New Ways of Working Group Started a New Ways of Working Project Group and an NWOW “Champions” group comprising employees throughout the Authority. Conducted an employee survey on “new ways of working” Developed a new more user friendly email bulletin for employees</p>
<p>The Council communicates with its residents through a newsletter which is published twice a year and goes to every household. The Council has continued to grow its digital presence over the past year, with new followers to social media increasing month on month and the Email Me Service reaching 16,000 subscribers. Work to develop these channels to maximise channel shift is ongoing</p>	<p>Broxtowe Matters Annual Report The Council informed residents about how we spent their money in 2016/17 in the September edition of Broxtowe Matters Broxtowe Matters was redesigned to ensure it is attractive to read for residents. Arrangements with an external company to source advertising revenue has helped to cover the cost, as well as helping to promote local services and businesses. The Council also kept residents updated on the progress being made in implementing our Corporate Plan objectives through a summary made available on our website and through Broxtowe Matters. Since 2013, the number of online transactions has been greater than contacts via the telephone or in person and are expected to reach approximately 300,000 this year. Communication to residents: Corporate plan progress</p>
<p>Residents are regularly updated on new consultations through our website as well as press releases</p>	<p>Consultation and Engagement website link</p>
<p>Regular tenant led Service review groups for Housing services.</p>	<p>Examples of Housing service review reports Tenant led reviews which reported during the year resulted in improvement to the Housing Repairs system suggested by tenants and the proposal for a tenants reward scheme, approved by Housing Committee at the end of 2017/18.</p>

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
<p>Tenant engagement in significant reviews of Housing service delivery.</p>	<p>Significant consultations involving tenants included a review of our tenure policy through the Residents' Involvement Group; allocations policy and secure tenancy agreement. Tenure Policy Consultation - November 2017 Allocations review consultation New Secure Tenancy Consultation - Housing Committee 2018</p>
<p>Engagement in relation to new strategy</p>	<p>Play Strategy (see end of document for consultation responses) The Council engaged extensively with children including children with disabilities, when developing its new Play Strategy in 2017/18 which was approved in September 2017</p>
<p>The Council encourages engagement annually on its expenditure through its annual budget survey</p>	<p>Budget consultation for budget 2018/19 report to Finance and Resources Committee February 2018 579 residents responded to the budget consultation as reported to Finance and Resources Committee in February 2018. In overall terms, local people are satisfied with the Borough of Broxtowe and the Council's management of it. 74% of people are 'satisfied' or 'very satisfied' with the area in which they live, while 64% are 'satisfied' or 'very satisfied' with the way that the Council delivers services.</p>
<p>Disability Forum</p>	<p>Equality and Diversity Annual Report for 2017/18 Examples of engagement with and the influence of the Disability Forum in 2017/18 on the Council's policy development and service delivery are included in the annual Equality and Diversity Report</p>
<p>Broxtowe Youth Voice has appointed a Youth Mayor and Deputy. The Council's constitution provides for these individuals to participate in Council meetings (but not vote). This ensures the voice of young people is heard by members.</p>	<p>The Youth Mayor regularly participated in Council meetings during 2017/18 Council Minute 30 November 2017</p>
<p>Community Action Teams – The Council organises regular meetings with the local community in localities which are chaired by ward councillors. This is a means by which councillors keep in touch with local people and identify action which needs to be taken which they feed back to officers or committees</p>	<p>CAT meeting schedule and minutes</p>

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
The Local Strategic Partnership is chaired by the Leader of the Council and is a mechanism through which leaders of the public and voluntary sector organisations in Broxtowe co-ordinate activity and identify strategic issues which need joint action	Broxtowe Partnership website link Meetings of Broxtowe Partnership took place quarterly in 2017/18. Task groups on health, children's services and the environment met regularly and progress on delivering agreed actions was monitored.
Development of Local Plan Part 2 and Neighbourhood Plans	Extensive consultation took place in relation to the development of proposals to be included in the Local Plan Part 2. The Council's Planning department supported the development of local Neighbourhood Plans. Summary of Neighbourhood plan activity
Communication and Engagement Strategy	2015-2018 Communications consultations and engagement strategy Invited an LGA peer review team to review our new draft Communications Strategy, review our communication arrangements and give us feedback for improvement action.

Opportunities for further improvement

1. Conduct a learning disabilities customer journey to understand the experience of people with learning disabilities in interacting with Council services.
2. Set up a task and finish group to explore the experience of people with mental health difficulties in interacting with Council services.
3. Conduct budget consultation with residents in 2018/19.
4. Continue to work with the local community regarding the future of the Town Hall in Beeston.
5. Engage and consult the community regarding the future of Beeston Town Centre.
6. Develop a new Communications and Engagement Strategy.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
<p>The Council's vision and priorities are set out in its Corporate Plan.</p> <p>Under the Corporate Plan there are business plans for each of the Corporate Plan priorities. The Business Plans set a small number of high level outcome targets; Critical Service Indicators (CSI).</p> <p>These are supported by Key Performance Indicators (KPI) and Management Performance Indicators (MPI). The latter are used by managers to inform day to day operational service delivery</p>	<p>Corporate Plan 2016-2020</p> <p>All the business plans in the middle column are approved annually.</p> <p>Housing Business Plan</p> <p>Business Growth Business Plan</p> <p>Community Safety and Health Business Plan</p> <p>Environment Business Plan</p> <p>Liberty Leisure Business Plan</p> <p>Bereavement Services Business Plan</p> <p>Resources Business Plan</p> <p>Revenues, Benefits and Customer Services Business Plan</p> <p>ICT and Business Transformation Business Plan</p>
<p>Strategies – Each Corporate Plan priority is supported by a number of strategies which informs the strategic direction of the subject area and sets the framework within which annual business plan tasks and targets are set</p>	<p>The key strategies adopted in previous years are:</p> <p>Housing Strategy 2015-2020</p> <p>Empty Homes Strategy 2014-2019</p> <p>Green Infrastructure Strategy 2015-2030</p> <p>Aligned Core Strategy 2014-2020</p> <p>Waste Strategy 2016-2020</p> <p>Playing Pitch Strategy 2016-2028</p> <p>Digital Strategy 2015-2018</p> <p>Capital Strategy and Asset Management Strategy</p> <p>Treasury Management and Investment Strategies</p> <p>During 2017/18 a number of new key strategies were adopted:</p> <p>Homelessness Strategy 2017-21</p> <p>Broxtowe Play Strategy 2017-2020</p> <p>Economic Regeneration Strategy 2017-21</p> <p>ICT and Business Transformation Strategy 2017-2021</p> <p>Commercial Strategy 2017-2020</p> <p>HS2 Growth Strategy Sept 2017</p> <p>Revenue Budget and Medium Term Financial Strategy</p>

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
<p>Progress on delivering business plan targets, tasks and achievement of outcome indicators are regularly reported to councillors for scrutiny. An audit of data quality is conducted annually and all performance indicators are required to be signed off at senior management level to ensure that the quality of any data produced is of a sufficient standard</p>	<p>Performance reporting to Policy and Performance Committee focuses on Critical Service Indicators (CSI) and financial information indicating variances from the expected position – Reporting to Policy and Performance Committee on CSI in October and November 2017 Examples of regular performance monitoring to service committees focuses on achievement of agreed tasks and targets and monitoring of key performance indicators Leisure and Environment Committee - Business Plan report September 2017 Jobs and Economy Committee - Business Plan report March 2018 Housing Committee - Business Plan report November 2017 Finance and Resources Committee - Business Plan reporting October 2017</p>
<p>The Council's financial plans are based on a Medium Term Financial Strategy (MTFS) which identifies future budget pressures. This is revised annually as part of the budget setting process and is kept under review throughout the financial year</p>	<p>Medium Term Financial Strategy February 2018 (P128) The MTFS was revised in early 2018 as part of the Budget Strategy</p>
<p>The Council's annual Business Strategy has the following 4 objectives: that the Council should be</p> <ul style="list-style-type: none"> • Lean and fit in its assets, systems and processes • Customer focused in all its activities • Commercially-minded and financially viable • Making the best use of technology. 	<p>Business Strategy February 2018 (P91) The Business Strategy identified potential efficiencies and income generation opportunities amounting to around £1.7m during 2018/19 to help balance the budget.</p>
<p>Councillors keep oversight throughout the year regarding whether financial performance is in accordance with the agreed budget framework</p>	<p>Outturn variations reported to Finance and Resources Committee July 2017 Detailed reports are produced at the year end to highlight financial variances from the expected position. This also happens in relation to capital plan monitoring</p>

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
The Council has a strategic risk register which is regularly reviewed and reported to Governance and Audit Committee	Example Business Plan risk reporting Example of risk reporting All business plans have an integrated risk management section

Opportunities for further improvement:

1. Review and amend the Council’s Constitution.
2. Develop a new Customer Service Strategy.
3. Approve a new Contaminated Land Strategy (approved April 2018).
4. Update the Leisure Facilities Strategy.
5. Adopt Local Plan Part 2 and submit for examination (July 2018).
6. Continue to support the development of Neighbourhood Plans.
7. Further update the Business Strategy in preparation for the 2019/20 budget round.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
The Council takes time to analyse options in relation to major decisions	Minutes of Policy and Performance Committee July 2017 Beeston Square options A rigorous review of options for the regeneration of Beeston Town Centre was conducted including identification of detail on more than seven options Housing site disposal options February 2018 Another example is the provision of options to councillors in relation to disposal of housing sites
The Council examines options for the future use of its assets in order to improve public value	Beeston Town Hall proposals for consultation (P99) Responses to Beeston Town Hall Consultation Options for the future of Beeston Town Hall were widely consulted upon. 1,059 responses were generated and reported to the February 2018 meeting of the Policy and Performance Committee

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
The Council considers the impact on customers when considering options to change patterns of service delivery	Options for the future handling of cash transactions were considered by Policy and Performance Committee Transcash Payment Options October 2017 (P86)
The Council regularly revises and updates its proposals to achieve savings and generate additional income	The Business Strategy was updated in 2018 in preparation for the 2018/19 budget as was the Medium Term Financial Strategy Business Strategy and Medium Term Financial Strategy
The Council is pro-active in tackling areas of poorer performance	A new rent arrears policy was agreed. An officer action group was formed. Reports were produced on progress in tackling rent arrears Rent Arrears report to Finance and Resources Committee (p162)
Gas and electrical safety were identified as areas for policy development work and quality assurance	A new Gas Servicing and Safety Policy and procedures and new Electrical Safety Policy and procedures were adopted Gas and Electrical safety policy report to Housing Committee September 2017 (P50)
The Council has regard to external events and is pro-active in examining whether its arrangements respond to identified risks and threats	A Grenfell response officer working group is working to ensure issues arising from the Grenfell Fire are managed proactively and effectively to ensure tenants are kept safe Grenfell Response action update report to Housing Committee January 2018
The Council is pro-active in identifying threats and risks to safety and works in partnership to mitigate these	Water safety improvements Beeston Weir October 2017 Risk assessment open water safety Work was done in partnership with the Canal and Rivers Trust, Environment agency, Fire and Rescue and Police and local residents to improve open water safety firstly at Beeston weir and then throughout the Borough. The risk assessment methodology used is now being used as good practice throughout Nottinghamshire
The Council works with outside experts as well as internal and external stakeholders to identify potential better ways of delivering services	A retirement living review was commissioned through HQN to consider options for the future delivery of the retirement living service. The review included stakeholder engagement with employees, members and tenants of the retirement living service Retirement Living review Housing Committee March 2018

Opportunities for Further Improvement

1. Adopt a new House Building Delivery Plan having received advice from selected experts.
2. Report back the consultation results of the Retirement living review options and adopt an option for implementation.
3. Continue preparations for the introduction of Universal Credit in November 2018 in partnership with relevant agencies.
4. Receive community led bids regarding the future of the Town Hall in Beeston and agree a way forward.

E. Developing the entity’s capacity including the capability of its leadership and the individuals within it

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
<p>The structure and cost of service delivery is continually reviewed.</p>	<p>An example of savings achieved through a service review is that a major Housing restructure took place in 2017/18 which saved just under £100,000 in year and significantly more when taking account of the full year impact. Minute of Policy and Performance Committee ref. Housing Restructure In January 2017 a significant employee savings programme identified £605,000 in savings p.a. Three compulsory redundancies were involved. Employee savings programme 2017/18 minutes Policy and Performance Committee January 2017 Restructure reports in relation to the Environment section, Accountancy section, Administration, Capital Work and Communication were also considered and approved</p>
<p>The Council enhances its capacity, increases resilience and broadens access to skills Through sharing a range of services with neighbouring authorities</p>	<p>An annual report is prepared each year on progress in delivering shared services, income generated and efficiencies secured Shared Services Annual Report October 2017</p>

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
As much as identifying ways of reducing expenditure the Council is also prepared to invest in additional capacity to respond to changing needs of residents and customers, enhance knowledge and insight and improve the quality and cost effectiveness of service delivery	Planning service additional capacity was approved funding by a 20% increase in planning fees. A new Project Manager was employed to assist with the work required to produce plans and proposals to regenerate Beeston Square. A new full time Information Manager was appointed to ensure the Council is prepared for GDPR. A new Financial Inclusion Officer and a new Tenancy Sustainability Officer were appointed within the Housing section as well as a new Research Officer
Business and financial performance is regularly reported to all committees and scrutinised	See section C above for details
Service Committees consider a range of data including benchmarking data to assess the quality of Council services	The main areas identified for potential improvement related to the costs of repairs, major works and void management Members of the Housing Committee received presentations on the results of Housemark benchmarking data before a planned session of the Housing Committee

Opportunities for Further improvement

1. Review and potentially extend the Council's approach to sharing services.
2. Adopt a new People Strategy.
3. Examine further the Housing Repairs service to identify cost and quality improvements.
4. Review and implement recommendations consequent upon an external review of the Council's financial position.
5. Consider opportunities for a peer review of the Council or a service area in 2018/19

F. Managing risks and performance through robust internal control and strong public financial management

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
<p>The Council integrates risk management approaches into its performance management arrangements</p>	<p>A new Governance Risk and Compliance Action Plan was developed which integrates action planning arising from the need to improve governance (actions identified through the SOLACE/CIPFA review); risk management mitigation actions identified through the Strategic Risk Register and compliance with the law - both current and future</p>
<p>The Council has a Strategic Risk Management Group that reports to the General Management Team. The Governance, Audit and Standards Committee regularly consider and approve updates to the Strategic Risk Register. All key decision reports submitted to committees contain a risk assessment where appropriate, which is used to update the Strategic Risk Register. All action points within business plans are required to be risk assessed. The Governance, Audit and Standards Committee has oversight and decision making responsibility for determining the</p> <ul style="list-style-type: none"> • Internal Audit Plan and progress made with the plan • implementation of internal and external audit recommendations • Strategic Risk Register <p>Risk management training is occasionally provided. An eLearning module is available to enable members to access training on risk management whenever convenient to them.</p>	<p>The Risk Management Policy and Strategy were approved by the Governance, Audit and Standards Committee on 20 June 2016 Risk Management Policy and Strategy June 2016</p>

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
<p>Members of the Governance, Audit and Standards Committee can have independent access to the Chief Audit and Control Officer where considered to be necessary. The Chief Audit and Control Officer is satisfied that in all respects he has the necessary authority and resources to assess the Council's governance, risk and internal control environment and highlight any problems that he considers should be drawn to the attention of the Council</p>	<p>The latest external review of the effectiveness of the system of Internal Audit was considered by the Governance, Audit and Standards Committee in March 2018. This review is conducted by an experienced and independent assessor. The outcome of this review in 2017/18 was positive and indicated that Council's Internal Audit service complies with the expectations of the Public Sector Internal Audit Standards. This provides the Council with confidence in the assurance work that is provided by Internal Audit. Furthermore, the outcome of the review was benchmarked against other providers in both the sector and the wider industry and this shows that the team compares favourably in comparison with its peers. Whilst the review did identify areas where improvements could be made, these are not felt to be fundamentally undermining the work of Internal Audit, its role within the organisation or the Chief Audit and Control Officer's ability to assess the Council's internal control environment.</p> <p>Internal Audit Review of Effectiveness March 2018</p>
<p>The Safety Committee and Civil Contingencies Planning Group, chaired by the Chief Executive and comprising relevant senior officers, consider and develop plans to mitigate risks arising in workplace settings, or threats from flooding, major emergency events or risks to health</p>	<p>Minutes of Health and Safety working group meetings and Civil Contingencies Group meetings are available.</p> <p>Emergency Plan Flu Pandemic Plan Flooding response Plan</p>
<p>A corporate Business Continuity Plan seeks to mitigate the effects of a potential disruption to services so that the impact of such a disruption is minimised and services restored to an acceptable level within pre-set timescales. The Business Continuity Plan is reviewed by the Strategic Risk Management Group. Departmental business continuity plans also exist</p>	<p>Copies of departmental and Corporate Business Continuity Plans are available.</p>

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
<p>The Fraud and Corruption Prevention Policy Statement is that the Council takes a zero-tolerance approach to fraud and corruption.</p> <p>The Council is committed to establishing a strong anti-fraud and corruption culture and will take all necessary steps to prevent, detect and punish fraudulent and corrupt acts. Any indications of potential fraud in respect of benefits are forwarded to SFIS for investigation.</p> <p>The Council has processes in place which help to identify and tackle fraud. An analysis of residual non-benefits related fraud investigation requirements was undertaken prior to the transfer which identified no substantial areas of immediate concern for the Council other than that which can normally be addressed as part of the work of Internal Audit</p>	<p>The Council's Fraud and Corruption Prevention Policy and Money Laundering Prevention Policy were both refreshed and approved by the Governance, Audit and Standards Committee in March 2017 – Fraud and Corruption Prevention and Money Laundering Prevention Policy March 2017</p> <p>As part of the process, an annual report relating to fraud and corruption prevention activity is submitted to the Governance, Audit and Standards Committee, the latest being in March 2018. The delivery of the action plan will help to further strengthen the current arrangements in place – Counter Fraud and Corruption Annual Report March 2018</p> <p>Data matching exercises continue to be undertaken by the National Fraud Initiative, run by the Cabinet Office. A Single Person Discount review took place jointly across Nottinghamshire in 2017/18, with further work scheduled during 2018/19. The results of these exercises are used to shape future programmes of counter fraud activity.</p> <p>A more proactive approach has been undertaken by the introduction of the Fraud and Error Reduction Incentive Scheme (FERIS) approach, sponsored by the DWP, and the introduction of a risk-based assessment framework for benefits applications, including the Local Council Tax Support Scheme, for which the Council remains fully accountable</p>
<p>Chief Officers are required to prepare an annual statement of compliance with internal control stating compliance with the law and approved policy</p>	<p>An annual Statement of Internal Control has been prepared by each Chief Officer</p>
<p>The Council has sound information governance arrangements in place including the safe collection, storage, use and sharing of data.</p> <p>A suite of online information management products have been developed and are required to be completed by employees at various levels.</p> <p>Comprehensive Information Management Policies are in place</p>	<p>Information Management arrangements Information Management Policies</p> <p>A new full time dedicated Information Governance Officer was appointed (previously the role was part time).</p> <p>A new online GDPR employee training product was developed, rolled out and completed by all employees</p> <p>See above</p>

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
The Council is proactive in tackling threats to performance (e.g. income management)	Reports are made to the Finance and Resources Committee on preparations for Universal Credit. A Universal Credit steering group, including partners such as the CAB, was set up to help prepare for the introduction of Universal Credit in November 2018.
The Council welcomes external agencies to give us feedback on our performance and responds positively to suggestions for improvement	The Council responded positively to a Food Safety audit inspection and, following receipt of a report, developed an improvement action plan and employed additional resources to improve performance – Food Safety Audit Action Plan Community Safety Committee March 2018 (P7)

Opportunities for Further Improvement

1. Implement the GDPR action plan.
2. A fraud risk assessment exercise will be completed by the Chief Audit and Control Officer, in conjunction with Chief Officers and senior management, taking into account published guidance from central government, CIPFA, National Fraud Initiative (NFI) and other relevant organisations to develop a fraud risk register to identify fraud risks.

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
The Council complies with its obligation to produce a Publication Scheme	The Publication Scheme was reviewed and updated – Publication Scheme
The Council publishes data in a transparent way which is accessible through the website	Open data website link
The Council reports annually on performance and financial stewardship through a newsletter which goes to every household in Broxtowe	The Annual Report was sent to every household through the Broxtowe Matters publication in 2017/18 and placed on the Council’s website – Annual Report Autumn 2017
A Governance, Risk and Compliance Action Plan is produced which incorporates governance improvements identified as a result of the annual governance check	The status of the previously agreed action plan is outlined in appendix 3 above

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action or new steps in relation to the principle in 2017/18
Internal Audit and External Auditor recommendations are acted upon	Reports are regularly made to Governance, Audit and Standards Committee on progress in implementing agreed actions following an Internal Audit – Internal Audit Progress Report
The Council welcomes peer challenge and other forms of external review of service delivery	An external review of the Retirement Living service was conducted in 2017/18 – Review of Retirement Living Service March 2018 . An LGA review of finances was presented to Finance and Resources Committee in April 2018 – LGA review of finances

Opportunities for further improvement

1. Integrate the requirements of the code into our governance checks for shared service arrangements.
2. Improve the comparability of information in financial statements with other similar organisations.

Conclusion

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

The operation of the Governance Framework during 2017/18 has provided the Council with **reasonable assurance** that proper practices are in place governing the conduct of the Council's business. Additional improvement actions have been identified through the annual review of the standard and are included in the new Governance Risk and Compliance Action Plan.

During the year an external investigation was carried out, with the external investigator recommending that disciplinary proceedings should be considered by the Council. This has been done. Improvement actions connected to the external investigation have previously been implemented.

Implementation of the governance related actions specified in the attached action plan will help to ensure that the Council's governance arrangements continue to improve and be fit for purpose in accordance with the governance framework.

DRAFT ANNUAL GOVERNANCE STATEMENT

1. What are the Council’s Governance Arrangements?

1.1. Corporate Values

The Council’s governance arrangements are reflected in our corporate values which are:

- Integrity and professional competence
- A strong caring focus on the needs of communities
- Continuous improvement and delivering value for money
- Valuing employees and enabling the active involvement of everyone
- Innovation and readiness for change.

1.2. Competency Framework and Employee Performance Appraisal

These values are consistent with the SOLACE/CIPFA governance code and act as the basis for the Council’s competency framework and the assessment of individual employee performance appraisal.

1.3. The Constitution, Standing Orders and Delegated Authority

The Council’s Constitution sets out the roles of members and officers and the terms of reference of the Council’s committees. Officer’s delegated powers to take decisions are set out in this document, as are the protocols and codes of conduct regulating the way employees and members should behave and relate to each other, and how debate is conducted at Council meetings. Limits of financial expenditure are set out in standing orders and in standing orders relating to contracts.

The main checks and balances on the respective power of officers and members is summarised in the table below. The table provides some of the key ways in which officers and members are held accountable to local residents. Website links are made to where you can find further information (*those in green and black are internal documents*).

Officer checks/balances	Member checks/balances	Accountability to residents
<ul style="list-style-type: none"> • Officer delegations within Constitution • Pay Policy underpinned by Job evaluation policy • Disciplinary Policy • Employee Code of Conduct 	<ul style="list-style-type: none"> • Elections • Independent Remuneration Panel • Members Allowances scheme • Governance Audit and Standards Committee 	<ul style="list-style-type: none"> • Broxtowe Matters Annual Report • Public Questions at Council Meetings • Petitions at Council Meetings • Community Trigger for Anti-social Behaviour

Officer checks/balances	Member checks/balances	Accountability to residents
<ul style="list-style-type: none"> • Statutory Officers (Chief Executive head of paid service; deputy chief executive section 151 officers; Monitoring Officer; Chief Information Officer-Interim Strategic Director • Financial standing orders within Constitution • Contract standing orders within Constitution • Fraud Prevention Policy • Treasury Management policy • Business Continuity Plans • Whistleblowing Policy • Strategic Risk Register • Risk Management Policy • Health & Safety Policy; Procedures; Health and Safety Group • Information Management Arrangements • Staff engagement exercises • Complaints and compliments procedure • Licensing and Appeals Committee (employment and grievance appeals) • Statement of Internal Control (SIC) 	<ul style="list-style-type: none"> • Statutory Officers (Chief Executive head of paid service; deputy chief executive section 151 officers; Monitoring Officer; Chief Information Officer-Interim Strategic Director • Questions to Committee chairs at Council meetings • Member code of conduct • Reports at Council by Members of Outside Bodies at Council meetings • Ward Member reports at Council meetings • Public Consultations • Register of Members Interests • Community Action Team Meetings • Declaration of interests at all meetings • Protocol for Councillor/Officer Relationships 	<ul style="list-style-type: none"> • Communications Strategy 2015-18 • Open Data • Transparency framework • Publication scheme • Publication of Committee decisions • Tenant and Leaseholder Matters • Broxtowe Parks Standard • Public satisfaction surveys • External audit annual letter to Governance at Audit committee • Internal and external audit progress reports at Governance and Audit Committee • Periodic external inspections e.g. EFLG/IIP/IIE/LGA • Peer review • Benchmarking through APSE/ CIPFA/SOCITIM/ Housemark • Finance Data online • Licensing and Appeals Committee (Taxi, alcohol, licensing matters) • Commenting on Planning applications and speaking to Planning Committee

1.4. Corporate Plan and Business Plans

The Council's Corporate Plan sets out the Council's [Vision and Priorities](#).

The Council's vision is "*Broxtowe... a great place where people enjoy living, working and spending leisure time.*"

The Council has five priorities each of which are set out below, each with a number of objectives:

1. Housing 'A good quality affordable home for all residents of Broxtowe'

- *Increase the rate of house building on brownfield sites*
- *Become an excellent housing provider*
- *Improve the quality and availability of the private sector housing stock to meet local housing need*

2. Environment 'The environment in Broxtowe will be protected and enhanced for future generations'

- *Reduce litter and fly tipping to make Broxtowe cleaner*
- *Maintain and improve the green infrastructure of Broxtowe*
- *Increase recycling, composting, renewables and energy efficiency projects as resources allow and reduce residual waste*

3. Community Safety 'Broxtowe will be a place where people feel safe and secure in their communities'

- *Reduce domestic violence in Broxtowe*
- *Reduce the amount of anti-social behavior in Broxtowe*

4. Business Growth 'New and growing businesses providing more jobs for people in Broxtowe and improved town centres'

- *Increase the number of new businesses starting in Broxtowe*
- *Help our town centres to compete and attract new visitors*
- *Complete the regeneration of Beeston Town Centre and seek opportunities to regenerate town centres throughout Broxtowe.*

5. Health 'People in Broxtowe enjoy longer active and healthy lives'

- *Increase the number of people who have active lifestyles*
- *Work with partners to improve the health of the local population*
- *Reduce alcohol related harm in Broxtowe*

1.5. Strategy and Policy Framework

Within each priority area, a range of strategies and policies are devised to guide the decision making of officers and members. These are approved by the respective

committees (see below) apart from those which are reserved for full Council for determination.

1.6. Decision-making Structures

The Council has adopted a committee system, which means that all the political parties are represented within the decision making committees. Neither the Leader of the Council or the Chairs of Committees have executive power, which enables decision making to take place in a democratic fashion with scrutiny taking place as part and parcel of decision making. The Council may set up task and finish or working group arrangements to come forward with proposals for policy development or on topics which members consider require further investigation and enquiry.

- The full Council decides upon policy and certain other specialist functions that cannot be delegated elsewhere, including the setting of the Council Tax.
- The Policy and Performance Committee, which includes the Chairs of all other policy committees, has overall responsibility for developing and delivering policies of the Council and monitoring progress against the objectives of the Corporate Plan.
- The Finance and Resources Committee has responsibility for reviewing the Council's budget and financial management and makes recommendations to Council with regard to the setting of Council Tax.
- Committees mirror the Council's main priority themes of Community Safety; Housing, Jobs and Economy, and Leisure and Environment. These are allocated authority by the Council to develop and deliver policy within their specific remit set out in the constitution.
- Separate quasi-judicial committees exist for Planning, Licensing and Appeals, Alcohol and Entertainments.
- Matters relating to governance and standards are dealt with by the Governance, Audit and Standards Committee. The role of this committee is particularly relevant to the operation of the SOLACE/CIPFA code and is set out in more detail below:

Role of the Governance, Audit and Standards Committee

The role and operation of the Governance, Audit and Standards Committee is in line with a toolkit and publication produced by CIPFA entitled Audit Committees – Practical Guidance for Local Authorities. Specific functions delegated to this Committee include:

- *Overseeing the arrangements for the maintenance of the Council's internal control environment and to receive reports of the Monitoring Officer and Chief executive in relation to whistleblowing and complaints*
- *Undertaking the functions conferred in relation to standards of conduct by the Local Government Act 2000 and the Localism Act 2011 and associated legislation*
- *Reviewing and approving the Council's published accounts and associated documents*
- *Overseeing the Council's arrangements for risk management*

- *Monitoring and making recommendations regarding the Council's corporate governance arrangements*
- *Determining employment policies*
- *Considering matters in relation to elections, polling districts and ward boundaries.*

In addition, the Committee reviews Internal Audit Plans and the work of Internal Audit and receives summary reports on the findings from completed audit assignments.

- Two joint committees exist – the Economic Prosperity, which consists of the Leaders of all councils in Nottinghamshire to consider countywide development matters; and the Bramcote Bereavement Service Joint Committee which oversees the operation of Bramcote Crematorium, which is jointly owned with Erewash Borough Council.
- Two internal committees recommend changes to employee policy pay and conditions – the Local Joint Consultative Committee which considers employee related matters and the Independent Remuneration Panel, which considers matters relating to the remuneration of members. The Independent Remuneration Panel reviewed members' allowances in January 2018 and took into account the changes in the role of members under the new structure. The panel recommended increases in basic allowances and review of allowances for some specific roles. Full Council received the report of the panel's findings on 7 March 2018 but did not accept the recommendations, which would, if adopted, have increased allowances.

Delegation arrangements to officers are set out in detail within the Constitution. In order to ensure that decisions are made in compliance with the law and approved policy, Chief Officers are charged with responsibility for the operation of controls within their areas of responsibility and for statutory functions as necessary. They make an annual declaration of compliance through the annual statement of internal control.

Regular meetings take place between relevant senior officers and members of the Council to discuss and propose policy.

The Constitution also includes sections on the conduct of meetings, Financial Regulations, Financial Regulations (Contracts) and Codes of Conduct for members and officers.

- 1.7. The Council established a wholly owned leisure services company, Liberty Leisure Limited, from October 2016. These arrangements have delivered cost reductions and increased income though the company operating as a commercial entity and opportunities to better fulfil the Council's aims through increased flexibility in day-to-day operations. Full control of the company is maintained by the Council through the governance arrangements that are in place, with the Leisure and Environment Committee maintaining an oversight of the company. Liberty Leisure Limited has continued to provide a wide range of leisure and cultural activities and generates a surplus trading position.

1.8. A Shared Services Board, chaired by the Chief Executive, meets regularly to keep shared service arrangements under review. Steps were taken to tighten control over shared services arrangements in 2017/18 and an annual report highlighting the value of these arrangements is presented to the Policy and Performance Committee.

1.9. Strategies, Policies and Business Plans

The Council has a suite of strategies, policies and business plans which mirror its corporate priority themes and ensures that service delivery follows a clearly set out, politically approved and strategically led approach.

1.10. Electoral Arrangements

In 2017/18 there was a parliamentary election, in addition to elections to the County Council.

The Council made representations to the Boundary Commission for England on its proposals for a review of parliamentary constituency boundaries which will seek to reduce the number of constituencies from 533 to 501 and the number of MPs from 650 to 600. Commissioners will decide whether to revise the initial proposals in light of comments received during the two consultation stages. The Commission is due to publish its final report in September 2018, with the new arrangements coming into effect for the next scheduled parliamentary elections.

Efforts continued to increase the number of registered electors, particularly the under-represented groups, and also the accuracy of the register through data matching. Work has commenced on a new engagement strategy to increase registration further.

1.11. Statutory Officers

The Council's statutory officers are the Chief Executive (as the 'Head of Paid Service'), the Interim Deputy Chief Executive (as the 'Section 151 Officer') and the Interim Monitoring Officer. All three officers are members of the General Management Team and have the authority to place reports in front of an appropriate member body where an aspect of concern and within their statutory remit comes to their attention. In particular, they are responsible for ensuring that the Council acts within the law and in accordance with established policies and procedures. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources.

Regular discussions are held at weekly meetings of the General Management Team about issues where governance is of concern and periodically a specific discussion takes place to identify areas of concern on the horizon, whether these may arise from such as legislative changes, changing service demands, political matters or financial problems, risk assessment that has been undertaken and any changes in the risk environment in which the Council is operating, and matters to be reported to future committees.

The Interim Deputy Chief Executive is the appointed Section 151 Officer and is a key member of the General Management Team (GMT). Being part of GMT, together with meeting with leading members and attending full Council, Policy and Performance Committee, Finance and Resources Committee and other appropriate committees, as required, ensures that the Section 151 Officer can provide corporate financial advice to the Council at the appropriate level and that financial implications and risks are properly taken into account.

All reports to decision making committees incorporate a statement on financial implications where appropriate which are subject to review by the Section 151 Officer and the Head of Finance Services. As such the Council's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Section 151 Officer's responsibilities include ensuring that GMT and senior members are made aware of any financial issues at the earliest opportunity and making sure that these are acted upon as appropriate.

The Interim Monitoring Officer also attends GMT. Part of their responsibilities include ensuring that any legislative changes are known about and implemented as appropriate, together with monitoring that the Council does not act unlawfully.

Chief Officers are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice. Each Chief Officer signs a Statement of Internal Control to acknowledge responsibility in maintaining and operating functions in accordance with the Council's procedures and practices that uphold the internal control and assurance framework.

In 2017/18 the Statements of Internal Control were reviewed to determine whether any further strengthening of the control environment can be achieved. Any areas identified have been addressed or are part of ongoing development of increased controls to be implemented during 2018/19.

1.12. Audit and Control

The Chief Audit and Control Officer is the Council's designated 'Head of Internal Audit' and is under the management of the Interim Deputy Chief Executive. Whilst the Chief Audit and Control Officer is not a member of the General Management Team, in all other respects the role is in accordance with guidance as laid down in the Public Sector Internal Audit Standards and the CIPFA Statement on the Role of the Head of Internal Audit, including attendance at the Governance, Audit and Standards Committee and presenting reports in their own name.

Internal Audit is responsible for the review of the systems of internal control and for giving an opinion on both the corporate and service specific standards in place. The Internal Audit Charter covers all activities of the Council at a level and frequency determined using a risk management methodology. The approach is designed to be risk-based so that it can focus resources on the key areas of risk facing the Council. The current arrangements include sharing Internal Audit management resources with Erewash Borough Council.

In advance of each financial year the Governance, Audit and Standards Committee is responsible for approving the Internal Audit Plan that governs each year's activity. Upon completion of each audit assignment, a report is produced for management with agreed actions for improvement. Regular progress reports on Internal Audit activity are submitted to the Governance, Audit and Standards Committee for scrutiny. This Committee can request further reviews to be undertaken and can request other committees to further investigate matters arising from any activities within their remit.

1.13. External Audit

The external auditor reviews the Council's arrangements for:

- preparing accounts in compliance with statutory and other relevant requirements
- ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
- securing economy, efficiency and effectiveness.

The external auditor gives their opinion on the Council's accounts and whether or not proper arrangements exist to secure value for money.

The Annual Governance Report presented to the Council in September 2017 recommended that further measures be taken to develop arrangements, including reviewing working practices, to improve the final accounts preparation process.

The Council continues to examine the use of its financial systems to help produce information for financial management, the capacity of the Finance Services teams and the financial reporting processes used to advise Members during the course of the year.

1.14. Fraud and Corruption

The Department of Work and Pensions (DWP) established a Single Fraud Investigation Service (SFIS) to manage benefit fraud investigation on a national basis. Officers employed by the Council to investigate benefit fraud transferred to SFIS in November 2015.

The Chief Audit and Control Officer acts as the central contact for non-benefit fraud allegations. The role of Internal Audit has been extended to act as a co-ordinating and investigating service for all non-benefit related fraud and corruption reports and to manage the Council's response to such reports. Internal Audit is supported in this by procuring specialist fraud investigation services as required from local partners, including Erewash Borough Council.

1.15. Partnerships

The Governance, Audit and Standards Committee has the responsibility to examine further procurement and collaborative working opportunities with the private sector and other local authorities. All of the policy committees have included in their remit

the power to direct the work of any delivery vehicles established to deliver services within their remit. This may include partnership arrangements, including those with the voluntary and community sector. Where grants are provided to voluntary sector organisations, conditions are applied regarding the reporting of the activities of the grant receiving body and its financial standing. In particular, where grant funding exceeds a given value a service level agreement may be used to gain assurance over the use of funds.

Implementation of Previous Action Plan

The actions identified in the previous year have been implemented as stated above and summarised in the table below:

Action	Progress
1. Update the Local Code of Corporate Governance in line with the revised principles of the CIPFA/SOLACE Framework.	Completed.
2. Implement the policies and strategies published during 2016/17 as identified in this Statement.	Completed and ongoing.
3. Complete a new People Strategy and ICT Strategy; review the Economic Regeneration Strategy; complete a new Leisure Facilities Strategy; and complete the Local Plan part 2 and Neighbourhood Plans.	The ICT Strategy and the Economic Regeneration Strategy have both been completed. The Local Plan Part 2 is awaiting examination. The draft People Strategy has not yet been adopted. The Leisure Facilities Strategy and the Neighbourhood Plans are both In progress.
4. Continue to address budget challenges and financial pressures by completing a new Business Strategy and Commercial Strategy and revising the Asset Management Strategy to identify and implement efficiencies and commercial opportunities, making the best use of the Council’s assets and by continuing to investigate and pursue opportunities for shared services and increased collaborative working with other authorities where these are of benefit to the Council.	An updated Business Strategy and the refreshed Medium Term Financial Strategy were approved by the Finance and Resources Committee on 15 February 2018. The Commercial Strategy has been completed.
5. Take appropriate action to respond to the findings of the external auditor as set out in their Annual Governance Report, Audit Opinion Plan and Certification of Claims and Returns Annual Report.	Completed and will be reviewed as part of the 2017/18 external audit.

Action	Progress
6. Continue to implement the improvement plan in respect of housing rents recovery procedures.	Better joint working between the Housing and Revenues and Benefits teams has resulted in good progress in reducing rent arrears.
7. Strengthen controls over gas safety procedures.	Gas Safety Policy approved by the Housing Committee, with new procedures now in place. Substantial assurance from Internal Audit and external audit reports.
8. Review procurement and contract management arrangements in respect of the Housing Management Software upgrade.	New project management arrangements in place.
9. Revise whistleblowing procedures.	New Whistleblowing Policy approved.
10. Improve budgetary control over staff and agency costs.	This is reviewed monthly by General Management Team and the Chair of Finance and Resources Committee.
11. Update Business Continuity Plans.	Departmental plans have been updated, and the corporate Business Continuity Plan has been reviewed.
12. Address the findings of the external investigation, including reviews of the employee Code of Conduct, the disciplinary policy and the trade union recognition and consultation procedures.	New employee Code of Conduct, Whistleblowing and disciplinary policies approved.
13. Ensure that appropriate governance arrangements are in place for trading companies.	The Liberty Leisure Board established and reports to the Leisure and Environment Committee.

Significant Governance Issues – Action Plan

Action	Lead Officers/Target Date
1. Further communicate, embed and reinforce the Council's values and ethical standards through conducting ethical workshops for employees in 2018/19.	Chief Executive March 2019
2. The Council has developed an online training module for the new Code of Conduct which will be introduced during 2018/19 and will be a requirement for every employee to complete.	Chief Executive September 2018
3. Improve the extent to which the Council monitors the ethical standards demonstrated and risks presented by external providers of services. The new Procurement and Contracts Officer will lead efforts to improve this in 2018/19.	Deputy Chief Executive March 2019
4. Conduct a learning disabilities customer journey to understand the experience of people with learning disabilities in interacting with Council services.	Chief Executive March 2019

Action	Lead Officers/Target Date
5. Set up a task and finish group to explore the experience of people with mental health difficulties in interacting with Council services.	Chief Executive December 2019
6. Conduct a budget consultation with residents in 2018/19.	Deputy Chief Executive February 2019
7. Further update the Business Strategy in preparation for the 2019/20 budget round.	Deputy Chief Executive February 2019
8. Continue to work with the local community regarding the future of the Town Hall in Beeston.	Deputy Chief Executive Ongoing in 2018/19
9. Engage and consult the community regarding the future of Beeston Town Centre.	Deputy Chief Executive Ongoing in 2018/19
10. Develop a new Communications and Engagement Strategy.	Interim Strategic Director December 2018
11. Review and amend the Council's Constitution.	Monitoring Officer December 2018
12. Develop a new Customer Service Strategy.	Deputy Chief Executive March 2019
13. Approve a new Contaminated Land Strategy.	Chief Executive Approved April 2018
14. Update the Leisure Facilities Strategy.	Deputy Chief Executive March 2019
15. Adopt the Local Plan Part 2 and submit for examination.	Chief Executive July 2018
16. Continue to support the development of Neighbourhood Plans.	Chief Executive Ongoing in 2018/19
17. Adopt a new House Building Delivery Plan having received advice from selected experts.	Chief Executive October 2018
18. Report back the consultation results of the Retirement Living review options and adopt an option for implementation.	Chief Executive June 2018
19. Continue preparations for the introduction of Universal Credit in November 2018 in partnership with the relevant agencies.	Deputy Chief Executive November 2018
20. Receive community led bids regarding the future of the Town Hall in Beeston Town Hall and agree a way forward.	Deputy Chief Executive July 2018
21. Review and potentially extend the Council's approach to sharing services.	Chief Executive Ongoing in 2018/19
22. Adopt a new People Strategy.	Interim Strategic Director September 2018
23. Examine further the Housing Repairs service to identify cost and quality improvements.	Chief Executive March 2019
24. Review and implement recommendations consequent upon an external review of the Council's financial position.	Deputy Chief Executive March 2019
25. Consider opportunities for a peer review of the Council or a service area later in 2018/19.	Deputy Chief Executive March 2019

Action	Lead Officers/Target Date
26. Implement the GDPR Action Plan.	Interim Strategic Director Ongoing in 2018/19
27. Complete a fraud risk assessment exercise in conjunction with Chief Officers/senior management, taking into account published guidance from central government, CIPFA, National Fraud Initiative (NFI) and other relevant organisations to develop a fraud risk register to identify fraud risks.	Deputy Chief Executive/ Chief Audit and Control Officer March 2019
28. Integrate the requirements of the code into our governance checks for shared service arrangements.	Chief Executive March 2019
29. Improve the comparability of information in financial statements with other similar organisations.	Deputy Chief Executive March 2019

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Councillor R Jackson
Leader of the Council
Broxtowe Borough Council
23 July 2018

R Hyde
Chief Executive
Broxtowe Borough Council
23 July 2018

Report of the Interim Strategic Director

WORK PROGRAMME1. Purpose of report

To consider items for inclusion in the Work Programme for future meetings.

2. Background

Items which have already been suggested for inclusion in the Work Programme of future meetings are given below. Members are asked to consider any additional items that they may wish to see in the Programme.

3. Work Programme

23 July 2018	<ul style="list-style-type: none"> • Annual Review of Complaints 2017/18 • Statement of accounts 17/18 and ISA260 (external auditors report) • Internal audit outturn 17/18 • Review of strategic risk register • Internal Audit Progress 2018/19 • External Quality Assessment – Improvement Plan Update • Arrangements for Polling District Review
24 September 2018	<ul style="list-style-type: none"> • Internal audit progress report 2018/19 • Review of strategic risk register
3 December 2018	<ul style="list-style-type: none"> • Internal audit progress report 2018/19 • Review of strategic risk register • Proposals from Polling District Review • Member Induction Programme – May 2019
18 March 2019	<ul style="list-style-type: none"> • Internal audit plan 19/20 • Internal Audit Progress report 2018/19 • External Audit Plan 2018/19 • Review of strategic risk register

Recommendation

The Committee is asked to CONSIDER the Work Programme and RESOLVE accordingly.

Background papers

Nil



Annual Audit Letter 2016/17

Broxtowe Borough Council



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March 2018

Contents

Report sections

Summary of the 2016/17 audit	3
------------------------------	---

Appendices

1. High-priority issues and recommendations	7
2. Summary of audit misstatements	10
3. Summary of reports issued	12
4. Audit fees	13

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

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

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

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Headlines

This Annual Audit Letter summarises the outcome from our audit work at Broxtowe Borough Council in relation to the 2016/17 audit year. Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.



Audit opinion

We have issued an unqualified opinion on the Authority's financial statements on 29 March 2018, significantly after the statutory deadline of 30 September 2017. This was primarily due to the quality of the draft financial statements, supporting working papers, and delays in the provision of audit evidence.

Our unqualified opinion means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year ended 31 March 2017.

We have made a number of recommendations to strengthen the Authority's financial environment. This includes three high-priority recommendations.



VFM conclusion

We have issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) at the same time as we issued our opinion on the financial statements. Our VFM conclusion means we are satisfied that during the year ended 31 March 2017 the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

We presented the detail of our report in our External Audit Report in September 2017. To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.

We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.

The Authority faces significant ongoing challenges to achieve its savings. The Authority had achieved an underspend of £0.4 million against a net budget of £10.3 million in 2016/17.

Our testing identified that whilst achieving a balanced budget in the 2016/17 financial year, key challenges remain going forwards with the reduction in Revenue Support Grant from central government. The Authority's Medium Term Financial Strategy (MTFS) forecasts a decline in its General Fund reserves to £2.2 million in 2020/21. There are a number of plans in place to improve financial performance. We have considered these and the assumptions underpinning the MTFS. Whilst there is limited analysis and documentation to support some of the assumptions underpinning the MTFS, the Authority has continued to deliver on its financial plans. We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Summary of the 2016/17 audit

Financial statements audit

We reported in our *External Audit Report 2016/17 (September 2017)* that work was still ongoing on the Authority's financial statements.

We can report that we have concluded our work and have summarised our findings below. Our work has resulted in an additional high-priority recommendation over and above those made in our report in September 2017.

Audit adjustments

Further to our *External Audit Report 2016/17* (presented in September 2017), we have identified a significant number of audit misstatements, including those that are material to the accounts. Details on a consolidated basis are presented in a table on page 6. This also contains a list of corrected and uncorrected audit misstatements.

We have also identified a number of presentational issues which have been corrected by management.

Financial statements audit process

We received an incomplete set of draft accounts on 23 June 2017. We also received an incomplete set of working papers, most of which did not meet the requirements which we have set out in our 'prepared by client' audit request.

There were significant issues with the quality of the accounts and the accompanying working papers. We encountered difficulties with the audit process, both in terms of the provision of audit evidence and response to audit queries. The impact of implementing the arms length treatment of Liberty Leisure, restating the Comprehensive Income and Expenditure Statement (CIES), as well as producing group accounts were additional challenges faced by the Finance team.

This resulted in a delay in our ability to give an audit opinion by the statutory deadline of 30 September 2017. We have raised a high-priority recommendation in relation to this.

We are able to complete the certification of the audit as the Authority has also completed its Whole of Government Accounts return.

Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. We reviewed the Annual Governance Statement and Narrative Report. We concluded that they were not inconsistent with our understanding.

Whole of Government Accounts

The Authority prepares a consolidation pack to support the production of Whole of Government Accounts (WGA) by HM Treasury. We are not required to review your pack in detail as the Authority falls below the threshold where an audit is required.

We submitted our confirmation to the NAO at the same time as we issued our opinion on the financial statements.

Summary of delayed outputs

We are required to report to the PSAA of delays to the following statutory or PSAA outputs:

Summary of delayed statutory / PSAA outputs	
Output	Deadline
Audit opinion	30 September 2017
VFM conclusion	30 September 2017
WGA assurance statement	29 September 2017
Audit Certificate	30 September 2017
Annual Audit Letter (<i>this document</i>)	31 October 2017

The PSAA intends to report on this covering the results of auditors' work on the 2016/17 accounts for local government bodies.

High priority recommendations

We have raised three high-priority recommendations as a result of our 2016/17 audit work. Below is a summary of the recommendations raised in year and outstanding recommendations from the prior years. We will formally follow up these recommendations and report as part of our 2017/18 work.

Recommendations summary				
Priority	Outstanding from prior years ¹	Previously raised in 2016/17	Raised in this AAL 2016/17	Total
High	–	3	–	3
Medium	2	5	–	7
Low	1	1	–	2
Total	3	9	–	12

¹Note: we provided an update on progress made against the prior years' recommendations in our September 2017 External Audit Report.

Summary of the 2016/17 audit

Certificate

We issued our certificate at the same time as we issue our opinion on the financial statements. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

Audit fee

Our PSAA scale fee for the 2016/17 audit of the Authority's financial statements is £46,503. We have discussed additional fees with management due to additional costs incurred on the audit. The issues have been noted in this document and in our *External Audit Report 2016/17*, presented to the Governance, Audit and Standards Committee in September 2017. The additional fee is subject to PSAA determination and approval. See further detail in appendix three.

We have not performed any non-audit work for the Authority during the year.

Appendix one

High-priority issues and recommendations

During our 2016/17 audit work we identified four high-priority recommendations. Three of these were reported in our *External Audit Report 2016/17 (ISA 260)* and have been included below for the Governance, Audit & Standards Committee's reference. One high-priority recommendation was identified upon the completion of our final audit work and included within this appendix (recommendation four).

High priority recommendations address the issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) adequately a risk.



1. Accounting for PPE

There were a number of adjustments made in respect of capital transactions and accounting for Property Plant and Equipment. We also noted limitations in the Fixed Asset register including amounts taken to the CIES/revaluation reserve with respect to previous revaluation exercises

Recommendation

The Authority should review its approach to capital accounting and to developing the Fixed Asset Register to ensure robust records are kept and support accurate accounting entries.

Management response

Agreed. The new structure for Finance Services agreed at the Policy and Performance Committee meeting on 4 July 2017 is designed to create additional capacity to enable the Authority to strengthen its capital accounting processes and reduce the level of manual input.

Owner

Head of Finance Services

Deadline

31 March 2018

H

2. Accounts and working paper production and review

The draft accounts were provided on 23 June 2017, however they were not complete. Key omissions were:

- notes detailing the nature of expenses including depreciation, amortisation, and employee benefit expense; and
- the group accounts.

The Authority was not able to provide comprehensive working papers for the start of our audit. A substantial number of working papers were not provided on the first day of the audit, as previously agreed. This has caused significant delays to the audit process and resulted in additional work undertaken to understand incomplete working papers. Key issues include:

- The lack of audit trail, in particular, we had to undertake additional work to reconcile the trial balance to the draft accounts. We have also encountered difficulty in reconciling the accounts to the fixed asset register.
- Breakdowns did not often agree to the figures in the draft accounts submitted for audit, for example, asset disposals.

Due to the delays faced in our on-site work in June 2017, we had to return for three further weeks to undertake audit work. This was above and beyond the initial two-week on site visit as agreed, planned, and budgeted with the Authority. We note that some key Finance officers were on annual leave at various times during our on-site audit period, which contributed to the delay.

In addition, the impact of implementing the arms length treatment of Liberty Leisure as well as the restatement of the CIES and production of Group accounts were also challenges faced by the Finance team that contributed to delays.

The Authority is aware of the additional pressures which the earlier closedown in 2017/18 will bring. However the challenges mentioned above mean that additional work will be needed to prepare complete accounts and working papers to the tight timescales required for next year.

Recommendation

The Authority should develop a clear, resourced plan for the production of accounts and comprehensive working papers for the 2017/18 accounts. The working papers should be provided ahead of the on-site audit visits. Issues with the production of working papers or the understanding of our audit requirements should be notified early to ensure compliance.

The overarching principle is that working papers should provide a clear and concise audit trail from the financial statements through to sufficient and appropriate evidence within supporting working papers. Working papers need to:

- be clear, with explanations if needed. The working papers need to be written from the view point of someone external to the organisation;
- be supported by strong evidence, for example, third party documentation; and
- agree to the financial statements provided for audit.

The Authority should ensure that key finance staff are available during the audit period.

2. Accounts and working paper production and review *(continued)*

Management response

Agreed. The demands of producing the draft accounts whilst two Senior Accountant posts were vacant placed significant pressure upon the Finance Services team. Having to implement appropriate financial systems for Liberty Leisure placed further requirements upon the team that had to be met within a defined timeframe. In addition, the timing of the interim external audit in the first two weeks of April (as opposed to mid February previously) diverted resources away from final accounts work. These factors resulted in compromises in certain areas and detailed review and checking of working papers did not receive the attention that they should. Furthermore, a final accounts protocol from the external auditors that was provided in previous years and assisted greatly was not made available for 2016/17.

The KPMG Central facility used for transferring documents between the Authority and the external auditors at interim audit and operated effectively was not available for the final audit. Again, this would have been useful and reduced the amount of delays,

The point about staff being on leave during the final audit work is noted. However, the pressures outlined above meant that it was imperative that staff were able to take leave that they had built up.

Prior notification of the areas that external audit staff will be examining when they arrive at the Authority (eg. Payroll, creditors, fixed assets, banking arrangements etc.) would assist with planning and ensure better utilisation of both external audit and Authority resource.

Owner

Head of Finance Services

Deadline

31 March 2018

Agreed. Work has already commenced to reconfigure the final accounts production timetable in anticipation of earlier closedown from 2017/18. Working papers are being reviewed to ensure that a clear and concise audit trail is maintained. Other process improvements have been identified (e.g.. Incorporating Bramcote Crematorium figures) and these should assist meeting these pressures.

The Accounts team have been informed that no leave is to be granted in April and May (unless in exceptional circumstances)

Owner

Chief Accountant

Deadline

31 March 2018

H

3. Three-way match control

In our testing of the creditor payments systems we noted a number of exceptions in the 3 way match control. These included instances where the PO and GRN was not present, the wrong PO and GRN was attributed to the invoice, and where the invoice value did not agree to the PO or GRN. We deem the Authority's control ineffective and we were unable to place reliance on this control.

Recommendation

The Authority should review the exceptions to establish what improvements should be made to the operation of controls.

Management response

Partly agreed.

The evidence collated by the external auditors will be requested and examined to determine the circumstances that resulted in these omissions and how these exceptions relate in percentage terms to the total number of transactions.

The Authority maintains a devolved financial management system (including creditors) that places responsibility upon departments for the correct processing of ordering and creditor payments.

The internal audit team have identified on previous occasions that the operation of these processes has not fulfilled requirements and reminders have been issued to departments. Further action (e.g.. Additional reminders, extra training etc.) will be taken if considered necessary.

Owner

Head of Finance Services

Deadline

31 December 2017

Appendix two

Summarised audit misstatements

We have summarised below the adjustments identified during our audit of the Authority's Statement of Accounts:

Comprehensive Income and Expenditure Statement as at 31 March 2017			
Net Expenditure (£'000)	Pre-audit	Post-audit	Ref¹
Housing	286	286	-
Environment	4,702	4,167	1
B business Growth	647	1,113	1,2
Community Safety	1,968	1,968	-
Health	2,257	2,926	3
Revenues, Benefits & customer services	1,071	1,071	-
Resources	8,879	1,940	4,5,6
ICT & B business Transformation	-	-	
Local Authority Housing (HRA) Exceptional Item	-	(32,436)	7
Local Authority Housing (HRA)	(5,760)	(16,110)	7
Cost of services	14,050	(35,075)	As above
Other operating Expenditure	7,328	7,328	-
Financing and Investment Income and Expenditure	4,203	4,203	-
Taxation and Non Specific Grant Income	(10,623)	(10,623)	-
(Surplus) or Deficit on Provision of services	14,958	(34,167)	-
(Surplus or Deficit on Revaluation of PPE	(49,082)	(49)	As above
Remeasurement of Net Defined Benefit Liability / (Asset)	9,534	9,534	-
Surplus or deficit on revaluation of available for sale financial assets	-	143	-
Any other (gains)/losses	(2)	(2)	-
Other comprehensive Income and Expenditure	(39,550)	9,626	As above
Total Comprehensive Income and Expenditure	(24,592)	(24,541)	As above

Balance sheet as at 31 March 2017			
£'000	Pre-audit	Post-audit	Ref¹
Property, plant & equipment	213,692	213,784	5,8
Other long term assets	2,734	2,568	9
Current assets	12,568	12,591	9
Current liabilities	(19,795)	(19,795)	-
Long term liabilities	(146,323)	(146,323)	-
Net worth	62,876	62,825	As above
General Fund	5,549	5,549	-
Other usable reserves	3,456	3,456	-
Unusable reserves	53,871	53,820	1,3,5,6
Total reserves	62,876	62,825	

1. See overleaf for adjustment detail

Appendix two

1. There were adjustments to the recognition of income and expenditure in respect of the Authority's 50% share of Bramcote crematorium which required disclosure against Environment as opposed to Business Growth.
2. Adjustment in respect of Eastwood Cemetery Chapel (£69k).
3. Incorrect treatment of valuation totaling £669k, where the Revaluation Reserve balance for three assets were taken into a debit position.
4. Correction of revaluation entries made in relation to Beeston Square (£6,655k). This was previously reported in our ISA260 report.
5. Correction of revaluation entries made in relation to introduction of car park onto former multistorey and fire station site (£184k).
6. Correct of revaluation entries made in relation to 11 other assets that should have not been recognized through the revaluation reserve. (£100k).
7. Recognition of the change in social housing discount factor (EUV-SH) from 34% to 42% as an exceptional item on the face of the CIES. This was previously reported in our ISA260 report.
8. Reduction in Council House valuation at 31 March 2017, net impact £52k based on a transposition error and an incorrect beacon being applied to 3 properties.
9. Recognition of Pooled Funds measured at Fair Value (31 March Bid Price) & accrued interest (£23k) moved to short-term term investments.

There are also a significant number of presentational adjustments which do not impact the totals of the primary statements. The most significant of these are:

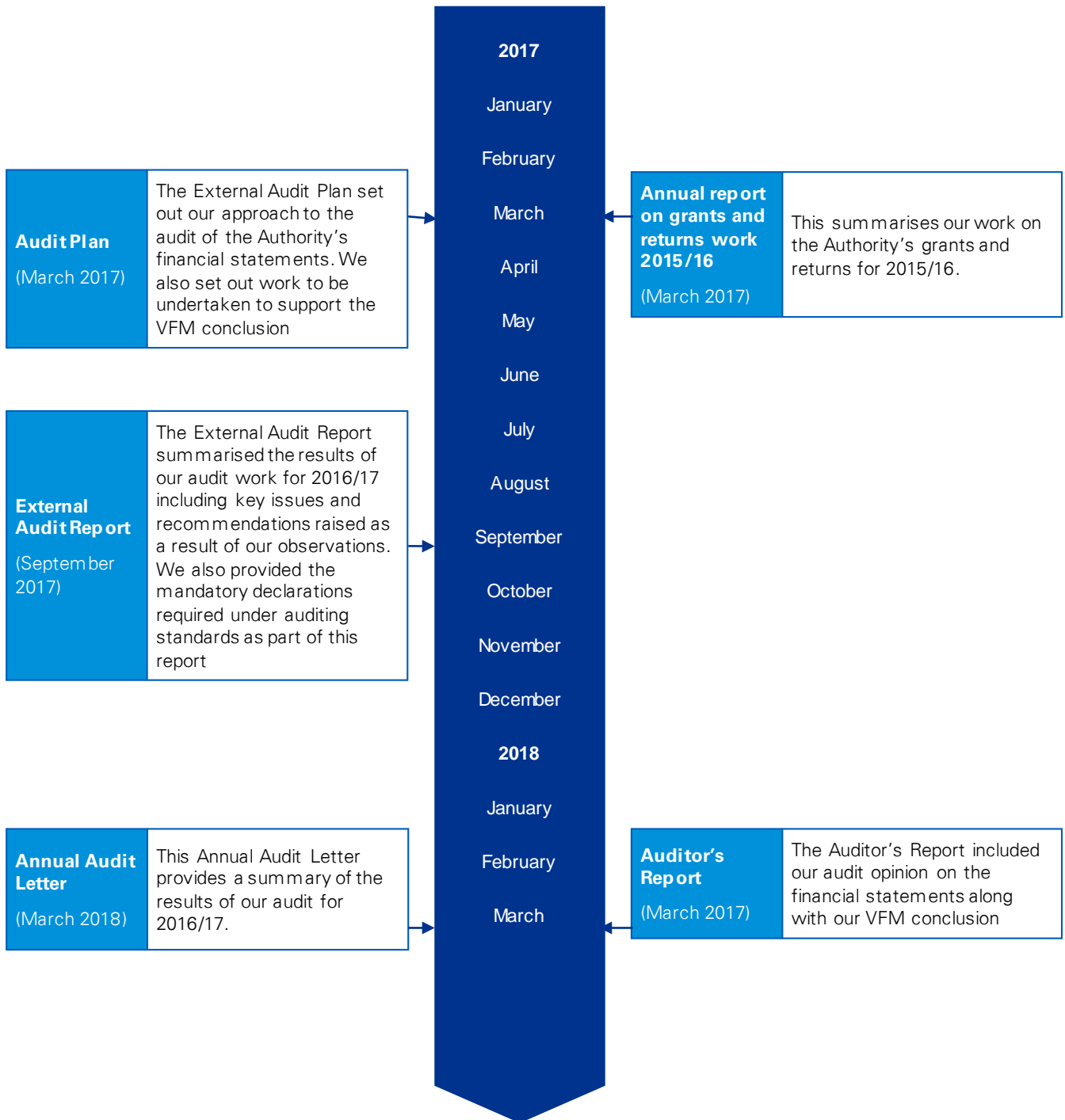
- Disclosure of the impact of the change in the social housing discount factor (EUV-SH). This was for £32.4 million.
- Transacting the change of council dwelling valuations within the HRA Income and Expenditure Statement, which is also reflected in the Authority's Cost of Services.
- The pensions note was not consistent with the actuary's report. The adjustment is presentational and did not have a financial impact.
- Disclosure issues with the officers' remuneration note, redundancy costs, external audit costs, and related parties note. Although not material, these notes often generate substantial external interest.

Appendix three

Summary of reports issued

This appendix summarises the reports we have issued since our Annual Audit Letter summarising our 2015/16 work.

These reports can be accessed via the Governance, Audit & Standards Committee pages on the Authority's website at www.broxtowe.gov.uk.



Appendix four

Audit fees

To ensure transparency about the extent of our fee relationship with the Authority, we have summarised below our 2016/17 audit fee.

External audit

Our scale fee for the Authority was £46,503. We had previously agreed with the S151 Officer a fee of £2,319 for additional work carried out in relation to the Authority's acquisition of the leasehold interest in Beeston Square.

Due to the significant delays encountered during the completion of the audit as reported in our ISA260, we have incurred additional costs of £37,447 for the 2016/17 audit. We have submitted a breakdown which has been agreed with the S151 and is subject to final approval by the Public Sector Audit Appointments Ltd.

We have worked proactively with the Authority to advance preparations for the 2017/18 audit and can report good progress from our work to date. The Authority has responded to recommendations and undertaken early work to progress risk areas identified in our External Audit plan presented to the Audit Committee in March 2018 and brought work forward to meet the challenge of an earlier deadline.

Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work has a PSAA scale fee of £10,125 and this was confirmed as the final fee through our reporting on the outcome of that work in early 2018.

Other services (non-PSAA services)

We have agreed a fee of £3,500 for additional audit-related services for the certification of the Pooling of Housing Capital Receipts (CFB06) return, which is outside of the PSAA's certification regime.

We did not perform other non-audit related services.

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