

Date: 10 April 2019



District Council

Town Hall, Penrith, Cumbria CA11 7QF

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Dear Sir/Madam

Accounts and Governance Committee Agenda - 18 April 2019

Notice is hereby given that a meeting of the Accounts and Governance Committee will be held at 6.45 pm on Thursday, 18 April 2019 at the Council Chamber, Town Hall, Penrith.

1 Apologies for Absence

2 Minutes of Previous Meeting

To sign the public minutes AGc/46/02/19 to AGc/67/02/19 of the meeting of this Committee held on 21 February 2019 as a correct record of those proceedings (copies previously circulated).

3 Declarations of Interest

To receive declarations of the existence and nature of any private interests, both disclosable pecuniary and any other registrable interests, in any matter to be considered or being considered.

4 External Audit Reports (Pages 5 - 38)

To consider report F21/19 from the Director of Finance which is attached and which seeks to set out one report from the Council's External Auditor, Grant Thornton.

RECOMMENDATION that the report of the External Auditor is noted.

5 Universal Credit update

To consider a verbal update from the Head of Revenue and Benefits on the impact of effects the introduction of Universal Credit is having on Eden District Council, as agreed at minute number AGc/50/02/19 (21 February 2019).

6 Annual Governance Statement (Pages 39 - 72)

To consider report F28/19 of the Director of Corporate Services which is attached and which seeks to set out the detail supporting the Council's Annual Governance Statement (AGS) and Local Code of Governance (Local Code). Members are asked to confirm that the AGS and Local Code fairly reflects the corporate governance

arrangements in place at the Council.

RECOMMENDATION that the Accounts and Governance Committee propose any further amendments and endorse the AGS, Local Code and Action Plan.

7 Local Government Ethical Standards *(Pages 73 - 82)*

To consider report G37/19 from the Director of Corporate Services which is attached and which seeks to request that the Accounts and Governance Committee note the report of the Committee on Standards in Public Life and considers any actions arising to feed into future work programming.

RECOMMENDATIONS that:

- (1) the Accounts and Governance Committee notes the report; and
- (2) the Accounts and Governance Committee notes that the Monitoring Officer will consider the list of best practice recommendations, and will discuss with the Cumbrian Monitoring Officers and CALC any potential revisions to the existing code of conduct and/or guidance for a further report back to Committee.

8 Response to External Review of the Accounts and Governance Committee *(Pages 83 - 86)*

To consider report F26/19 from the Director of Corporate Services which is attached and which seeks to respond to the recommendations of an external review of the Accounts and Governance Committee.

RECOMMENDATIONS that:

1. The Committee agrees to perform a self-assessment on an annual basis from 2019/20 onwards and reports this to Council.
2. The Committee is provided with enhanced regular training and supporting materials.
3. Consideration is given to subscribing to CIPFA's Better Governance Forum.

9 Member Induction and Training programme 2019/2020

To consider a verbal update from the Assistant Director Governance on the Member Training timetable for 2019/202, as agreed at minute number AGc/66/02/19 (21 February 2019).

10 Any Other Items Which the Chairman Decides are Urgent

11 Date of Next Scheduled Meeting

The next scheduled meeting of this Committee will be confirmed at Annual Council on 16 May 2019.

Yours faithfully



R Rouse
Chief Executive

Democratic Services Contact: Vivien Little

Encs

For Attention

All members of the Council

Chairman – Councillor A Connell (Liberal Democrat Group)

Vice Chairman – Councillor K Greenwood (Independent Group)

Councillors

P Godwin, Independent Group
A Hogg, Conservative Group
S Jackson, Conservative Group
V Kendall, Conservative Group

J C Lynch, Conservative Group
R Orchard, Conservative Group
V Taylor, Liberal Democrat Group

Standing Deputies

G Nicolson OBE, Conservative Group
J Raine, Conservative Group
M Robinson, Independent Group

M Rudhall, Liberal Democrat Group
J Tompkins, Liberal Democrat Group
M Tonkin, Independent Group

Please Note:

1. **Access to the internet in the Council Chamber and Committee room is available via the guest wi-fi – no password is required**
2. **Under the Openness of Local Government Bodies Regulations 2014 this meeting has been advertised as a public meeting (unless stated otherwise) and as such could be filmed or recorded by the media or members of the public**

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**Eden District Council
Accounts and Governance Committee
18 April 2019**

External Audit Reports

Portfolio:	None
Report from:	Director of Finance
Wards:	All Wards
OPEN PUBLIC ITEM	

1 Purpose

- 1.1 To set out one report from the Council's External Auditor, Grant Thornton.

2 Recommendation

That the report of the External Auditor is noted.

3 Report Details

- 3.1 The External Auditor has issued two reports since the last meeting. A copy of the 2018/19 audit plan is attached at Appendix 1, a copy of the progress report is attached at Appendix 2.
- 3.2 A member of Grant Thornton's audit team will be at the Committee meeting to answer any questions Members might have.

4 Policy Framework

- 4.1 The Council has four corporate priorities which are:
- Decent Homes for All;
 - Strong Economy, Rich Environment;
 - Thriving Communities; and
 - Quality Council.
- 4.2 This report meets the Quality Council corporate priority.

5 Consultation

- 5.1 There has been no consultation with Ward Councillors or Portfolio Holders.

6 Implications

6.1 Financial and Resources

- 6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2015-2019, as agreed at Council on 17 September 2015.
- 6.1.2 There are no Financial and Resources implications.

6.2 Legal

6.2.1 There are no Legal implications.

6.3 Human Resources

6.3.1 There are no Human Resources implications.

6.4 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	There are no implications
Health, Social Environmental and Economic Impact	There are no implications
Crime and Disorder	There are no implications
Children and Safeguarding	There are no implications

6.5 Risk Management

Risk	Consequence	Controls Required
External Auditor comments and views are not made known to Members.	Necessary remedial action is not identified and actioned.	Proper consideration of the External Auditor's reports is an important governance control and ensures that the independent views of the Auditor are made known to Members and remedial action is identified and actioned.

7 Other Options Considered

7.1 No other options have been considered.

8 Reasons for the Decision/Recommendation

8.1 To keep Members updated on the work of the External Auditor.

Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	27 March 2019
Monitoring Officer (or Deputy)	9 April 2019
Director	10 April 2019

Background Papers: None

Appendices: Appendix 1 – External Audit Plan 2018/19

Appendix 2 – Progress report

Contact Officer: Pete Notley, Assistant Director Finance, 01768 212209

External Audit Plan

Year ending 31 March 2019

Eden District Council
March 2019





Your key Grant Thornton team members are:

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Associate Director

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Section

1. Introduction & headlines
2. Key matters impacting our audit
3. Group audit scope and risk assessment
4. Significant risks identified
5. Other matters
6. Materiality
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Appendices

- A. Audit Approach

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Eden District Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Eden District Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the :

- Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Accounts and Governance committee)
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Accounts and Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based. We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation.

Group Accounts	The Council is required to prepare group financial statements that consolidate the financial information of Heart of Cumbria Limited.
Significant risks	<p>Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:</p> <ul style="list-style-type: none">• Management over-ride of controls• Valuation of land, buildings and investment property• Valuation of the pension fund net liability• Preparation of consolidated group accounts. <p>We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.</p>
Materiality	We have determined planning materiality to be £0.406m (PY n/a as year 1 is 2018/19) for the group and £0.405m (PY £0.434m) for the Council, which equates to 1.9% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.020m (PY £0.022m).
Value for Money arrangements	<p>Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:</p> <ul style="list-style-type: none">• the Council's arrangements in relation to the Heart of Cumbria Limited• financial management and the Council's medium term financial planning arrangements.
Audit logistics	<p>Our interim visit will take place in March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our new audit approach is detailed in Appendix A.</p> <p>Our fee for the audit will be £35,796 (PY: £41,943) for the Council, subject to the Council meeting our requirements set out on page 13. The fee is comprised of the scale fee set by PSAA and an additional fee element relating to the preparation of group accounts, see page 12 for further detail.</p>
Independence	We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Key matters impacting our audit

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Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For Eden District Council, this is leading to a pressure in the Medium Term Financial Plan, with a deficit position for each of the financial periods to 2022/23 being projected by the Council, with the General Fund unearmarked balances reducing from £7.560 million to £1.760 million.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. The Council will need to ensure that it is prepared for all outcomes, including any impact on contracts, on service delivery and on its support for local people and businesses.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

Heart of Cumbria Limited

The development of the Heart of Cumbria Limited is an important part of delivering priorities set out in the Council Plan, particularly around delivering decent homes for all. We acknowledge that, the Council has made improvements on its governance and financial management of the Company, following our 2017/18 VfM Conclusion work. However, there remain a number of recommendations originally raised in our 2016/17 VfM to be implemented and/ or fully embedded.

The Council plans to produce consolidated accounts incorporating Heart of Cumbria Limited for the first time.

New audit methodology

We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Council into our risk assessment and testing approach.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion
- We will consider whether your financial position leads to material uncertainty about the going concern of the group and will review related disclosures in the financial statements.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

- During our audit we will consider how the Council has responded to the recommendations raised in our 2016/17 and 2017/18 Audit Findings Reports.
- We will discuss and critically assess the appropriateness of the accounting entries and disclosures made in relation to the group accounts.

- You will see changes in the terminology we use in our reports that will align more closely with the International Standards on Auditing (ISAs)
- We will be relying on more controls testing in key systems including operating expenses where appropriate
- We will ensure that our resources and testing are best directed to address your risks in an effective way.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
Eden District Council	Yes		See pages 6 – 8.	Full scope UK statutory audit performed by Grant Thornton UK LLP
Heart of Cumbria Limited	Yes		Valuation of property is a significant risk – see page 7.	Audit of the valuation of property and an analytical review performed by Grant Thornton UK LLP covering all other balances.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component’s financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Improper revenue recognition	Group	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Eden District Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Eden District Council.</p>	This presumed significant risk has been rebutted and therefore no specific response is required.
Management over-ride of controls	Council Only	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and judgements, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration to supporting evidence • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land, buildings and investment property	Group	<p>The Council revalues its land and buildings on a rolling basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land, buildings and investment property (including those held by Heart of Cumbria Limited), particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.
Accounting for the consolidation of the subsidiary Heart of Cumbria Ltd	Group	<p>In June 2016, the Council created a wholly owned subsidiary company Heart of Cumbria Ltd with the aim of delivering affordable housing services to the local area through a more focussed and commercial approach, enabling the Council itself to focus on the delivery of services.</p> <p>During 2018/19 Heart of Cumbria Limited purchased its first 7 houses and began receiving rental income. Moreover, the Council has invested £1 million of share capital in the subsidiary to date, and has made a further £5 million loan facility available to the company as the remaining houses being purchased are completed.</p> <p>These agreements and transactions gave rise to a number of material accounting transactions, both quantitatively and qualitatively, for which group accounts need to be prepared. It requires us to consider the economic substance of the transactions.</p> <p>We therefore identified the accounting transactions associated with the creation of Heart of Cumbria Ltd as a significant risk, which was one of the most significant assessed risks of material misstatement and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review the key agreements to gain an understanding of the agreements put in place on the establishment of the company • discuss with key group personnel, the underlying substance of the transactions and the basis of the Council's proposed accounting treatment of the arrangements • critically assess the economic substance of the transactions to assess the appropriateness of the accounting treatment adopted by the group in accordance with the Code, International Financial Reporting Standards (IFRSs) and other relevant accounting guidance, including the alignment of accounting policies.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Council Only	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as the auditor's expert) and performing any additional procedures suggested within the report • obtain assurances from the auditor of Cumbria Local Government Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements
 - issue of a report in the public interest or written recommendations to the Council under section 24 of the Act, copied to the Secretary of State
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the group's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £0.406m (PY N/a) for the group and £0.405m (PY £0.434m) for the Council, which equates to 1.9% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £0.020m for senior officer remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Accounts and Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Accounts and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.020m (PY £0.022m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Accounts and Governance Committee to assist it in fulfilling its governance responsibilities.

Prior year gross expenditure

£21.379m group

(PY: N/a)

£21.352m Council

(PY: £21.7M)



■ Prior year gross expenditure

■ Materiality

£0.406m

Group financial statements materiality (PY: N/A)

£0.405m

Council financial statements materiality (PY: £0.434m)

£0.020m

Misstatements reported to the Accounts and Governance Committee (PY: £0.022m)

Value for Money arrangements

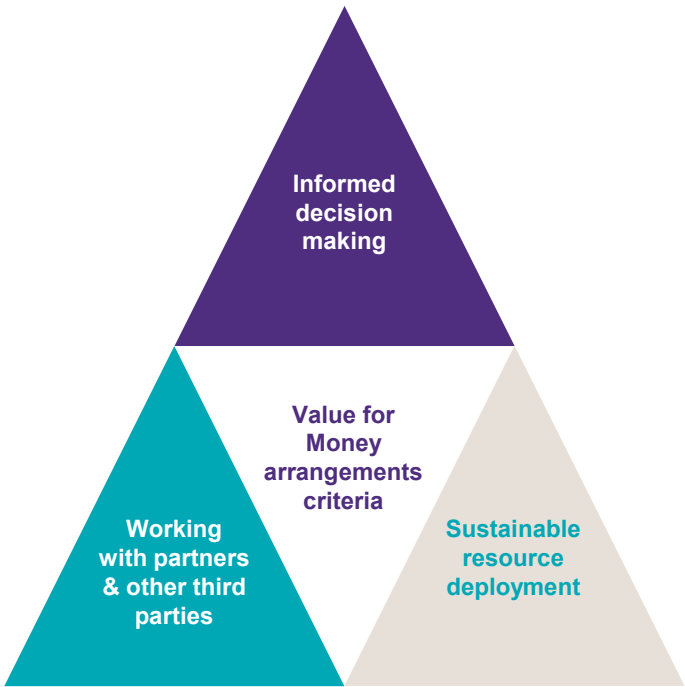
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria, as set out below:



Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



Heart of Cumbria Limited

Whilst our prior year VfM review into the Heart of Cumbria Limited identified significant progress made on its governance arrangements and financial modelling of the subsidiary, a number of other recommendations had not been implemented or fully embedded. Therefore, a significant risk remains that the arrangements in place for the Heart of Cumbria Limited are not adequate to ensure that the Council realises the full benefits of this company. This is in terms of it delivering on a number of Council priorities and to avoid any financial or reputational loss.

Response:

We will review progress on developing the governance and financial management arrangements in relation to the company, including follow-up on last year's audit recommendations, which cover all three VfM sub-criteria.



Financial Management and Medium Term Financial Planning Arrangements

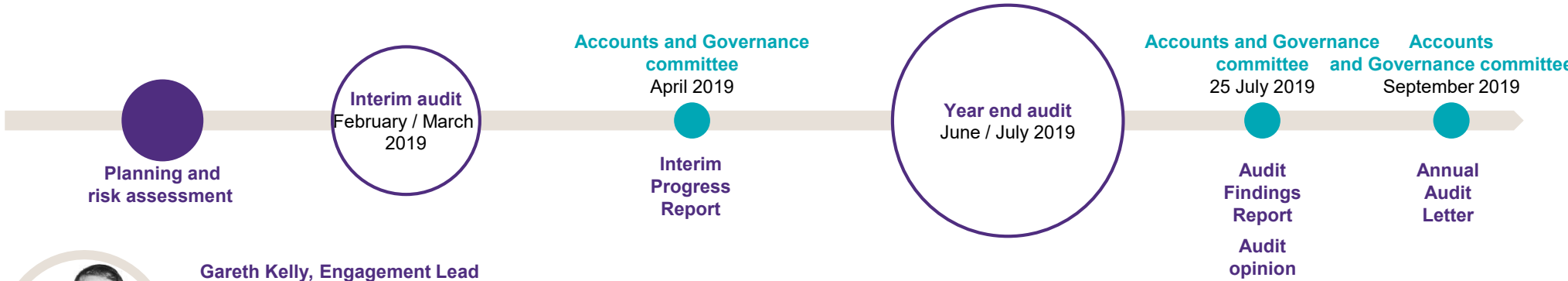
The Council faces a challenging environment in the short to medium term with the MTFP forecasting a deficit position in each of the next four years to 2022/23, with the General Fund unearmarked balances reducing from £7.560 million to £1.760 million. Whilst the Council has been cautious in its assumptions regarding the future of the Business Rates Retention Scheme income; there are a considerable number of other uncertainties underpinning the MTFP including Brexit and the future levels of Central Government funding available. This uncertainty results in management having to apply a number of estimates and key judgements to compile the MTFP.

There is a risk that financial planning and management will not be adequate to meet these future challenges.

Response:

We will review the arrangements the Council has in place to compile the MTFP, including challenging the key estimates, judgements and assumptions made. This will also include a review of how the Council is identifying, managing and monitoring financial information in order to regularly update the MTFP, including reporting outcomes to the Council.

Audit logistics, team & fees



Gareth Kelly, Engagement Lead



Jamie Wright, Audit Manager



John Cangle, Audit In-charge

Audit fees

The planned audit fees are £35,796 (PY: £41,943) for the financial statements audit completed under the Code. The PSAA scale fee for 2018/19 is £32,296, and we are proposing to charge an additional fee of £3,500 due to the change in the group structure of the organisation, and the additional audit work that will now be required. This additional fee has been discussed and agreed with management but is still subject to PSAA approval. In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

The Council successfully responded to the challenge of preparing the Financial Statements one month earlier than previously. The Council responded promptly to audit queries and worked well alongside the audit to complete the audit of the financial statements two months earlier than the previous year.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 12). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. No other services were identified.

Appendices

A. Audit Approach

Audit approach

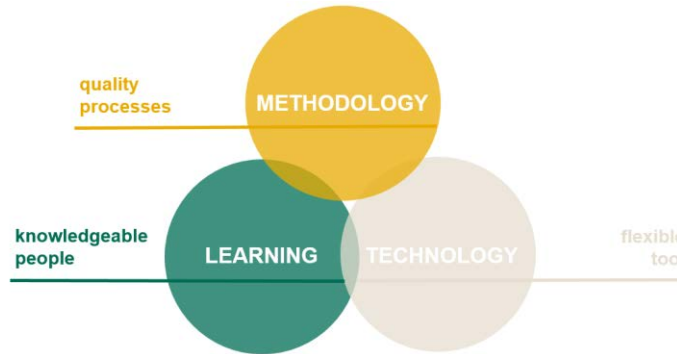
Use of audit, data interrogation and analytics software

LEAP



Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



Appian



Business process management

- Clear timeline for account review:
 - disclosure dealing
 - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on

IDEA



- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively



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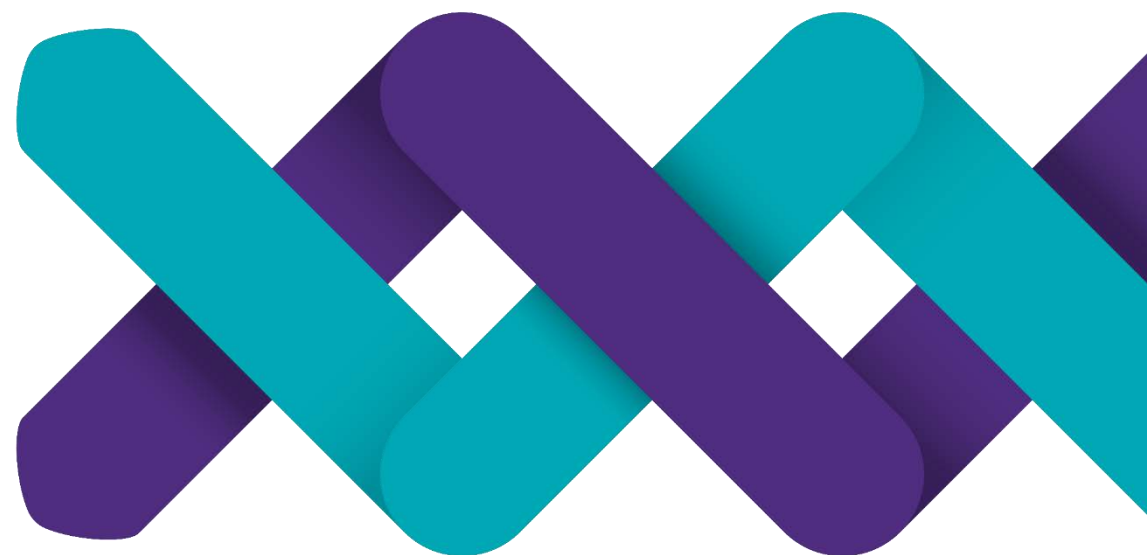
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Audit Progress Report and Sector Update

Eden District Council
Year ending 31 March 2019

March 2019



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Introduction



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This paper provides the Accounts and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Accounts and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

PSAA Contract Monitoring

Eden District Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts with the 2018/19 audit. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psaa.co.uk.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. We have set out commitment to deliver a high quality audit service in the document at Appendix A. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

Progress at March 2019

Financial Statements Audit

We have produced a detailed Audit Plan. We have also started to plan for the 2018/19 financial statements audit, setting out our proposed approach to the audit of the Council's 2018/19 financial statements.

We commenced our interim audit in February and March 2019. Our interim fieldwork includes:

- review of the Council's control environment
- updated understanding of financial systems
- review of Internal Audit reports on core financial systems
- early work on emerging accounting issues including group accounts consolidation
- early substantive testing.

There are no issues that we need to bring to the Committee's attention from the work we have completed to date.

The statutory deadline for the issue of the 2018/19 opinion is 31 July 2019. We are discussing our plan and timetable with officers.

The final accounts audit is due to begin on the 28 May with our findings and conclusions to be reported to you in our Audit Findings Report. We will present our report at the July Accounts and Governance Committee meeting and we aim to issue our audit opinion by the 31 July deadline.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach are included in our Audit Plan. We identified two significant Value for Money risks. These relate to the Council's arrangements for medium term financial planning and its arrangements around the Heart of Cumbria Limited. We are currently carrying out our audit work on this.

We will report our work in the Audit Findings Report and we aim to give our Value For Money Conclusion by the 31 July 2019 deadline.

Other areas

Meetings

We met with Finance Officers in March as part of our regular liaison meetings. We continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We are also meeting with your Chief Executive in April to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helps to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2018/19 Deliverables

	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Accounts and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	April 2019	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	April 2019	Complete
Audit Findings Report The Audit Findings Report will be reported to the July Accounts and Governance Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due

Council responsibilities

In our Audit Plan presented to this Accounts and Governance Committee we have communicated our expectations around the Council's responsibilities for timely production of the draft accounts supported by appropriate working papers. Should delays be experienced in the provision of these requirements or should additional work be required on our part due to complex technical issues, new arrangements and delays in response to queries additional costs will be incurred.

Any additional fees are subject to approval by PSAA.

Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

Significant risk area	Work performed	Conclusions and recommendations
Management override of controls	<ul style="list-style-type: none"> Documented business process and controls around journal entries. Undertook a walkthrough test to confirm implementation and design effectiveness of controls. Reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. Identified key estimates and judgements made by management in preparing the accounts, to be reviewed as part of the audit. 	Our work has identified no material weaknesses, which are likely to adversely impact on the Council's financial statements.
Valuation of land, buildings and investment property	<ul style="list-style-type: none"> Documented business processes and controls relevant to capital management, expenditure and valuation. Undertook a walkthrough test to confirm implementation and design effectiveness of controls. Made initial inquiries of the Council's valuation specialist regarding their expertise, approach and assumptions used in the valuation of the Council's assets. 	Our work has identified no material weaknesses, which are likely to adversely impact on the Council's financial statements.
Preparation of consolidated group accounts	<ul style="list-style-type: none"> Made inquiries of management regarding the approach to the preparation of group accounts. Review of draft group account figures based on projected outturn. 	Our work has identified no material weaknesses, which are likely to adversely impact on the Council's financial statements
Valuation of the pension fund net liability	<ul style="list-style-type: none"> Documented business process and controls around the submission of IAS19 information to the actuary. Undertook a walkthrough test to confirm implementation and design effectiveness of controls. Made inquiries of the Pension Fund Auditor, in terms of the assurances which can be provided regarding the valuation of the net liability. 	Our work has identified no material weaknesses, which are likely to adversely impact on the Council's financial statements

Results of Interim Audit Work

Other audit area	Work performed	Conclusions and recommendations
Internal audit	<p>We have completed a high level review of Internal Audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the Internal Audit service provides an independent and satisfactory service to the Council and that Internal Audit work contributes to an effective internal control environment.</p> <p>Our review of Internal Audit work has not identified any weaknesses which impact on our audit approach.</p>
Pervasive controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • communication and enforcement of integrity and ethical values • commitment to competence • participation by those charged with governance • management's philosophy and operating style • organisational structure • assignment of authority and responsibility • human resource policies and practices. 	<p>Our work has identified no material weaknesses, which are likely to adversely impact on the Council's financial statements.</p>
Review of information technology controls	<p>We performed a high level review of the general IT (information technology) control environment, as part of the overall review of the internal controls system.</p> <p>IT controls were observed to have been implemented in accordance with our documented understanding.</p>	<p>Our work has identified no material weaknesses, which are likely to adversely impact on the Council's financial statements.</p>

Results of Interim Audit Work

Other audit area	Work performed	Conclusions and recommendations
Early substantive testing	<p>We have undertaken early substantive testing in relation to the following areas:</p> <ul style="list-style-type: none"> • Operating expenditure testing of transactions from period 1-9. • Other operating revenues testing of transactions from period 1-9. • Rental revenue testing of transactions from period 1-9. • Employee Remuneration substantive analytical procedures and testing of starters and leavers. 	Our work has identified no issues, which are likely to adversely impact on the Council's financial statements.
General procedures	<ul style="list-style-type: none"> • Verified roll forward of opening balances in the general ledger. • Performed analytical procedures on the Council's financial performance data. • Reviewed the process for identifying related party transaction disclosures. • Reviewed internal audit reports issued during the year and progress against the internal audit plan. • Discussed the impact of new accounting standards. • Obtained details of bank accounts for independent verification at the year end. 	Our work has identified no issues, which are likely to adversely impact on the Council's financial statements.
Value for Money Conclusion – Risk Assessment	<p>We have undertaken a risk assessment based on reviews of:</p> <ul style="list-style-type: none"> • Local Government planning guidance • The Council's current published strategies and plans • Review of key committee papers and reports • Meetings and discussion with Council officers. 	We have identified the Council's arrangements in respect to medium term financial planning and Heart of Cumbria Limited for more detailed audit work.

Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

National Audit Office – Planning for new homes

The National Audit Office (NAO) has recently published a report on *Planning for new homes*. This report is part of a series on housing in England, including *Housing in England: overview (2017)* and *Homelessness (2017)*. The latest report focuses on the Ministry of Housing, Communities and Local Government's (MHCLG's) objective for housing in England to deliver a million homes by the end of 2020; half a million by the end of 2022; and to deliver 300,000 net additional homes a year on average.

The report recognises that increasing the supply of new homes is a complex task and one of the measures MHCLG has introduced to help achieve the objective is reforming the planning system. The report notes that the planning system is fundamental to providing new homes and it assesses how effectively MHCLG supports the planning regime to provide the right homes in the right places through:

- supporting local authorities to produce plans for how the supply of new homes will meet need in their area;
- supporting local authorities and the Planning Inspectorate in having effective and sufficiently resourced planning processes and teams to deal with planning applications and appeals; and
- working effectively with local authorities, other government departments and developers to ensure infrastructure to support new homes is planned and funded.

The report finds that at present, the system is not providing value for money and that the supply of new homes has failed to meet demand. It notes that a number of factors have contributed to the planning system not working and some of these include:

- the process of setting the need for new homes;
- the reductions in local authority capability;
- the under-performing Planning Inspectorate; and
- failures in the system to ensure adequate contributions for infrastructure.

The report recognises that MHCLG's new National Planning Policy Framework is an important step, but it is too early to tell whether the changes it introduces will be effective. The report also makes a number of recommendations for MHCLG to implement alongside the framework to help the planning systems work more effectively.

The report concludes that the Department and government more widely need to take this much more seriously and bring about improvement if they are to meet their ambition of 300,000 new homes per year by the mid-2020s.

The report is available on the NAO website:

<https://www.nao.org.uk/report/planning-for-new-homes/#>



Links

Grant Thornton

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

National Audit Office

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

<https://www.nao.org.uk/report/local-authority-governance-2/>

<https://www.nao.org.uk/report/planning-for-new-homes/#>

<https://www.nao.org.uk/report/pressures-on-childrens-social-care/>

Ministry of Housing, Communities and Local Government

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

Public Sector Audit Appointments

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

CIPFA

<https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool>

Local Government audits 2018/19 and beyond

Grant Thornton's External Audit commitment

Audit 2018/19

Our team

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"I have always been extremely pleased with the work done by colleagues from Grant Thornton, there is continuity of staff delivering the team who presented the bid. This continuity remains through the cycle of work that takes place during the year; allowing the team to continue to understand the corporate objectives whilst allowing us to ensure we comply with the required standards. The team are very friendly and approachable with an accommodating style".

Chairman of Finance, local audited body

Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach.

"I have found Grant Thornton to be very impressive.....they bring a real understanding of the area. Their insights and support are excellent. They are responsive, pragmatic and, through their relationship and the quality of their work, support us in moving forward through increasingly challenging times. I wouldn't hesitate to work with them."

Director of Finance, County Council

Our relationship with our clients – why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLCAE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.
- We propose a realistic fee, based on known local circumstances and requirements.

New opportunities and challenges for your community

The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

Grant Thornton in Local Government

Our client base and delivery



- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.

Our connections



- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions

Our people



- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants

Our quality



- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQRT

Our technical support



- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies



Grant Thornton

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Eden District Council
Accounts and Governance Committee
18 April 2019

Annual Governance Statement and Local Code of Governance 2018/19

Portfolio:	Resources
Report from:	Director of Corporate Services
Wards:	All Wards
OPEN PUBLIC ITEM	

1 Purpose

- 1.1 To set out the detail supporting the Council's Annual Governance Statement (AGS) and Local Code of Governance (Local Code). Members are asked to confirm that the AGS and Local Code fairly reflects the corporate governance arrangements in place at the Council.

2 Recommendation

1. Accounts and Governance Committee propose any further amendments and endorse the AGS, Local Code and Action Plan.

3 Report Details

Process

- 3.1 Publication of an AGS is a requirement under the Accounts and Audit Regulations 2015. The purpose of the AGS is to set out the annual review of effectiveness of the Council's systems of internal control (governance arrangements). This is set out at Appendix A.
- 3.2 The purpose of the Local Code is to set out the main features of the Council's corporate governance arrangements. This can be found at Appendix C, along with cross-references to evidence that the arrangements, as set out, were in place during 2018/19.
- 3.3 As part of the annual review, where elements of the Local Code or effectiveness of the controls could be improved, these have been included in the Action Plan at Appendix B. This also includes the items raised from 2017/18.
- 3.4 At this stage, Accounts and Governance Committee are being consulted on the content of the draft AGS and Local Code. The AGS will be signed by the Leader and Chief Executive and published alongside the unaudited Statement of Accounts by no later than 31 May 2019. Officers will continue to monitor and update the documents for any issues arising between the date of this report and 31 May 2019.
- 3.5 At the July 2019 meeting of Accounts and Governance Committee, a final version of the AGS, Local Code and Action Plan, including any amendments required from the external audit process, will be brought back for approval.

Findings

- 3.6 There have been no significant changes to the external governance requirements since 2017/18.
- 3.7 The single major change to the internal governance arrangements has been the Fit for Purpose Review of senior staff, which concluded in February 2019. This has resulted in some changes to roles and responsibilities of senior staff which need to be reflected within the Constitution. The technical review of the Constitution to reflect these changes is ongoing; it is not judged that this creates a significant governance issue.
- 3.8 A number of items were raised within the Action Plan following the 2017/18 review. These have generally been implemented. More detail on progress is provided in Appendix B. A detailed report on the items relating to the Heart of Cumbria Limited was presented to the Executive on 5 February 2019.

4 Policy Framework

- 4.1 The Council has four corporate priorities which are:
- Decent Homes for All;
 - Strong Economy, Rich Environment;
 - Thriving Communities; and
 - Quality Council.
- 4.2 This report meets the Quality Council corporate priority.
- 4.3 Whilst not part of the Council's Policy Framework, the AGS draws upon a number of control arrangements set out in the framework.

5 Consultation

- 5.1 There has been no consultation with Ward Councillors, or Portfolio Holders. Relevant Officers have fed into the annual review. Presentation of the draft AGS/Local Code to this Committee is part of the consultation process, with the final version to be approved in July.

6 Implications

6.1 Financial and Resources

- 6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2015/19 as agreed at Council on 17 September 2015.
- 6.1.2 There are no direct financial implications. However, the AGS and Local Code set out a number of key financial controls.

6.2 Legal

- 6.2.1 It is a statutory requirement that all local authorities produce an AGS. Approval of the AGS is a function that is delegated to the Accounts and Governance Committee.

6.3 Human Resources

- 6.3.1 There are no Human Resources implications.

6.4 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	Proper governance arrangements will ensure that equality and diversity issues are appropriately addressed
Health, Social Environmental and Economic Impact	There are no implications
Crime and Disorder	There are no implications
Children and Safeguarding	There are no implications

6.5 Risk Management

Risk	Consequence	Controls Required
There is a risk that Members and senior officers do not properly own the AGS and Local Code.	The documents are agreed without proper review and scrutiny.	Reporting on the AGS, with supporting detail: <ul style="list-style-type: none">• To Corporate Management Team; and• To the Accounts and Governance Committee as a separate document and not as part of the annual accounts.

7 Other Options Considered

7.1 No other options have been considered.

8 Reasons for the Decision/Recommendation

8.1 To ensure that the AGS and Local Code are properly supported by evidence and fairly reflect Members' understanding of the Council's corporate governance arrangements.

Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	5 April 2019
Monitoring Officer (or Deputy)	9 April 2019
Director	1 April 2019

Background Papers: Delivering Good Governance in Local Government:
CIPFA/SOLACE Framework
Accounts and Audit Regulations 2015
CIPFA: The Role of the Chief Finance Officer in Public Sector Organisations

Appendices: Appendix A: Annual Governance Statement (AGS) 2018/19
Appendix B: Action Plan 2018/19
Appendix C: Local Code of Governance 2018/19

Contact Officer: Pete Notley, Assistant Director Finance, 01768 212209

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Annual Governance Statement (AGS) 2018/19

Scope of Responsibility

Eden District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, incorporating the system of internal control. This includes arrangements for the management of risk. The Council has established a Local Code of Governance which details these arrangements and is structured around the 7 Principles of Good Governance, as set out below. The AGS focuses on the effectiveness of these arrangements and so should be considered along side the Local Code of Governance.

A copy of the [Local Code of Governance](#) is available on the Council's website.

The Accounts and Audit (England) Regulations 2015 require every Council to agree and publish an Annual Governance Statement. CIPFA (Chartered Institute of Public Finance and Accountancy) have produced guidance to Delivering Good Governance in Local Government Framework (2016). In producing this AGS, this has been considered.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

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

The governance framework has been in place at the Council for the year ended 31 March 2019, and up to the date of approval of this Statement.

The Principles of Good Governance

The CIPFA/SOLACE framework Delivering Good Governance in Local Government sets out seven core principles of good governance, these are:

- **Principle 1** – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- **Principle 2** – Ensuring openness and comprehensive stakeholder engagement.
- **Principle 3** – Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- **Principle 4** – Determining the interventions necessary to optimise the achievement of the intended outcomes.
- **Principle 5** – Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- **Principle 6** – Managing risks and performance through robust internal control and strong public financial management.
- **Principle 7** - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The Governance Framework

The Council's Governance Framework is set out in detail in its Local Code of Corporate Governance. This is aligned to the 7 Principles of Good Governance set out above. Although there are many detailed provisions of the Local Code, the key elements of the framework may be summarised as follows:

- A Council Plan that includes explicit outcomes. This is derived through stakeholder engagement and sets out the Council's aspirations. It drives strategic decision-making, financial planning and detailed service planning. The next iteration of the Council Plan (2019/23) is being developed to ensure it continues to reflect the Council's priorities;
- A comprehensive and regularly reviewed Constitution setting out how the Council operates. Officers and Members ensure that the protocols in the Constitution and other relevant statutes, regulations and guidance are both followed and lead to transparent, ethical and legal decision making. This ensures effective accountability and strong financial management. Work is ongoing to ensure the new management structure which came into place from February 2019 is reflected in the Constitution;
- A political structure, including Accounts and Governance Committee and Scrutiny Committees, which are independent of the Executive. These monitor delivery against both financial and Council Plan targets, as well as compliance with the Council's high ethical and behavioural expectations. Accounts and Governance Committee monitors internal control corporately, including the arrangements to manage risk. All committees are supported by qualified professional officers to provide timely, relevant information, which is open and transparent. The role of the Committee structures is further set out in the Review of Effectiveness below. During 2018/19, both the Accounts and Governance Committee and the Scrutiny committees have been subject to external review. Recommendations from these reviews will be implemented during 2019/20;
- The Council recognises a need for continued investment in technology, innovation and organisational development. The Council will pull together a number of transformation projects within the One Eden Programme, to ensure these are coordinated and working towards the same organisational goals; and

- The Council recognises the need to respond to regulatory changes that significantly impact on governance arrangements. The Council has made steps to ensure compliance with requirements of General Data Protection Regulations.

These show at a strategic level, that the Council's key governance arrangements are consistent with the 7 core principles. For further details, please refer to the Local Code of Corporate Governance.

Review of Effectiveness

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

Key roles in maintaining and reviewing the effectiveness is performed by:

The Council

The Council has responsibility for the Budgetary and Policy Framework. A balanced budget was set for 2018/19, consistent with the prevailing Council Plan. Council also reviews and approves amendments to the Constitution.

The Executive

The Executive have received regular monitoring reports on revenue and capital budgets and performance.

Accounts and Governance Committee

The Committee acts as an audit committee, in line with Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA 2013). The Committee approved the Internal Audit Plan for 2018/19, considered all audit reports and will receive the annual report assessing the effectiveness of the system of internal audit. The Committee has monitored implementation of the recommendations of internal and external audit. During the year, the Committee also underwent an external review of effectiveness; this supported the function of the Committee and has raised some opportunities for future improvements.

The AGS has been reviewed by the Accounts and Governance Committee alongside the supporting evidence which is set out in a public report. The Committee has also considered all Standards and constitutional review matters.

Scrutiny Co-ordinating Board

The Committee has reviewed the Risk Register in full and approved the annual update of the Risk Management Strategy. It has scrutinised the Partnership Database, received regular reports on budget monitoring and Treasury Management.

Leader

The Leader has approved the annual update of Business Continuity and Emergency Plans and signs the AGS.

Senior Management

Corporate Management Team (CMT) includes all Assistant Directors with Heads of Service also attending; the Directors and Chief Executive meet as the Senior Leadership Team (SLT) with representatives attending CMT. The Monitoring Officer and Chief Finance Officer are part of CMT and have access to the SLT. The Monitoring Officer and Chief Finance Officer have performed governance checks on all committee reports. This supports the effective exercise of their duties as key statutory officers of the Council, particularly with reference to financial control and operating within legal powers. Senior management review the AGS to ensure that the governance arrangements set out therein are operating as stated.

Chief Financial Officer and Monitoring Officer

The Council complies with the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2015). The CFO reviews the AGS and the Local Code as part of Corporate Management Team. Under the revised management structure, which came into place from February 2019, the CFO and Monitoring Officer have access to the members, papers and minutes of SLT meetings and review any committee reports resulting from SLT decisions, through the governance checks process.

Internal Audit

An effective Internal Audit Service (IAS) is a fundamental element of the overall system of internal control. During the year, CIPFA performed an external review of the in-house element of the IAS and judged that it was generally compliant with Public Sector Internal Audit Standards. This was reported in detail to the Accounts and Governance Committee in February 2019.

The work of internal audit is set out in an annual plan. The 2018/19 plan was agreed by the Accounts and Governance Committee in February 2018. The IAS submits an opinion statement to the Accounts and Governance Committee on the overall adequacy and effectiveness of the Council's internal control environment. Based on the completed work to date, as reported through the Accounts and Governance Committee, it is anticipated that a satisfactory internal audit opinion will be issued on the overall control environment in June 2019.

The Council's internal audit arrangements comply with the CIPFA Statement on 'The Role of the Head of Internal Audit (2010)'. Under the new management structure, from February 2019, the Head of Internal Audit (HoIA) is the Assistant Director Finance; TIAA (external provider of internal audit services) and the Senior Auditor have direct access to the Chief Executive and the Accounts and Governance Committee should they feel that there is any conflict of interests of reporting through the HoIA.

External Audit

The external audit of the Council is provided by Grant Thornton LLP for the main accounts (including group accounts) and value for money opinions. Assurance over the Housing Benefit Subsidy claim is provided by Mazars LLP. Whilst external auditors are not required to form an opinion on the effectiveness of the Council's risk and control procedures, their work does give a degree of assurance.

Regular meetings take place with Officers to cover progress on the external audit plan and other key audit related issues. The external auditor also regularly attends Accounts and Governance Committee to update them on progress and to provide topical sector updates. The Council ensures it provides timely support, information and responses to External Auditors and fully considers their findings and recommendations.

The Audit Findings Report for 2017/18 recognised the progress made on governance issues around the Heart of Cumbria Limited, the Council's wholly owned company. A number of further recommendations were made around the company and these were addressed in an update report to the Executive in February 2019 (see also below and the Action Plan).

Progress since 2017/18

The 2017/18 annual review produced 3 recommendations. These are considered to have been mostly addressed in the year. One of the recommendations related to the governance arrangements for the Heart of Cumbria Limited. A detailed report was presented to the Executive in February 2019, which set out the progress against the recommendations contained in the audit findings report from 2017/18. The actions taken are judged to have substantially addressed the risks raised around the company, which is now successfully leasing the 7 properties it owns. The other recommendations related to a refresh of the asset strategy, which has been completed, and a review of effectiveness of the Accounts and Governance Committee, which was performed by CIPFA during the year.

Confidential Reporting Code Matters

There have been no breaches of the Code during the period and no cases in year have raised significant governance issues.

Significant Governance Issues

A small number of enhancements to existing arrangements were identified as part of the 2018/19 review of effectiveness, these have been included within the AGS Action Plan and their implementation will be monitored throughout 2019/20. No new significant governance issues have been identified.

Conclusion

It is judged that the governance arrangements provide adequate assurance over the operation of the authority and that the arrangements are fit for purpose. The Council is committed to monitoring the arrangements in place and will continue to do so throughout 2019/20.

Signed:

Councillor Kevin Beaty
Leader of the Council

Rose Rouse
Chief Executive

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Annual Governance Statement Action Plan

Reference	Issue to address	Responsible	Due by	Progress
Existing items				
Prior Year Audit Findings Report, Heart of Cumbria	<p>The prior year audit findings report raised a number of issues around Heart of Cumbria. In summary these related to:</p> <p>The level of information provided and accountability of the Company to Members.</p> <p>Putting in place the governance processes to ensure the company could operate effectively, including business planning and risk and performance management.</p> <p>Addressing risks already identified including Right to Buy legislation, managing conflict of interests, ensuring business planning is supported by relevant expertise.</p>	Management Team/Hoc Board	31/3/2018	<p>This was reported as partially implemented at the last reporting date. Since then, the company has obtained 7 properties which are fully let. Financial and risk management information are reported regularly through board and several updates have been provided to Council committees, the most recent being to Executive 5 February 2019. It is judged that the majority of issues raised have been addressed. The management of conflict is still under review but will be taken forward pending the outcome of local council elections. The measures put in place to prevent any conflict have operated successfully during the year.</p> <p>Implemented with some further review of managing conflict of interests.</p>
Local Code Principle 7, Assurance and Effective Accountability	Consider implementing an annual review/self assessment of the Accounts and Governance Committee; this would be useful evidence to support the overall annual review of effectiveness.	Director of Finance / Assistant Director Financial Services	31/3/2019 to feed into 2018/19 process	<p>This was superseded by an external review of the effectiveness of the Accounts and Governance Committee by CIPFA, which reported to AGC in February 2019. This provides assurance as to effectiveness of the committee for 2018/19. This item is considered implemented but a new item is added to follow up on the CIPFA recommendations, see below.</p> <p>Implemented.</p>
Local Code Principle 5, Developing the Entity's Capacity	The Local Code refers to the the asset strategy up to 2014/17; this should be refreshed.	Deputy Director Technical Services	31/3/2019 to feed into 2018/19 process	<p>The asset strategy has been updated.</p> <p>Implemented.</p>
New items				
Local Code Principle 7, Assurance and Effective Accountability	Accounts and Governance Committee received a report from CIPFA on the effectiveness of the Committee. A number of improvement opportunities were raised.	Chair of AGC, Chief Finance Officer, Monitoring Officer	31/3/2020	<p>The details of the recommendations can be found on AGC agenda for February 2019 with a response at the April AGC. Implementation of the agreed actions will be monitored through 2019/20.</p> <p>Not yet due.</p>
Local Code Principle 2. Engaging with individual citizens and service users effectively.	The Local Code includes reference to a consultation policy and programme. This was not updated for 2018/19. Consideration should be given the value this adds and how it sits with other new arrangements around communications.	Senior Leadership Team	31/9/2019	<p>SLT/CMT to consider where the consultation programme sits in terms of the governance framework.</p> <p>Not yet due.</p>

Local Code of Corporate Governance Review

Local Code provisions	2018/19 review
<p>The Principles of Good Governance</p> <p>The CIPFA/SOLACE framework Delivering Good Governance in Local Government sets out seven core principles of good governance, these are:</p> <ul style="list-style-type: none"> • Principle 1 – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. • Principle 2 – Ensuring openness and comprehensive stakeholder engagement. • Principle 3 – Defining outcomes in terms of sustainable economic, social, and environmental benefits. • Principle 4 – Determining the interventions necessary to optimise the achievement of the intended outcomes. • Principle 5 – Developing the entity's capacity, including the capability of its leadership and the individuals within it. • Principle 6 – Managing risks and performance through robust internal control and strong public financial management. • Principle 7 - Implementing good practices in transparency, reporting, and audit to deliver effective accountability. 	<p>As per CIPFA/SOLACE framework 2016, Delivering Good Governance in Local Government, 2016 Edition, no updates for 2018/19 cycle.</p>

Local Code provisions	2018/19 review
Eden District Council has adopted a Local Code of Corporate Governance which is structured around these principles. The details are set out below:	No changes required to the structure of the Local Code.
Behaving with integrity (Principle 1). This is done by:	
<ul style="list-style-type: none"> Enabling Scrutiny to 'call-in' any Executive decisions contrary to the Budgetary and Policy framework 	Scrutiny have the ability to call in executive decisions, as set out in the constitution, p32, article 6.2.4, for example, special meeting of SCB 15/11/2018 to consider the Eden Development Portfolio Plan.
<ul style="list-style-type: none"> Having codes of conduct for officers and for Members in which there is guidance on officer/Member relationships 	Constitution (Codes and Protocols), part 5, E, page 317.
<ul style="list-style-type: none"> Maintaining an Accounts and Governance Committee that meets regularly and takes an active interest in the maintenance of standards across the Council. In particular, it is responsible for monitoring the corporate Complaints Procedure and Members Code of Conduct 	Responsibility for standards In place as per article 9 of the Constitution, complaints recently featured on the agenda, for example, Agc/27/9/18.
<ul style="list-style-type: none"> Maintaining an Independent Remuneration Panel (IRP) to advise the Council on allowances to be paid to Members 	Last report of IRP was to Council on 20 April 2017, item 8 to cover 2017/18 and subsequent 3 years. Details of the scheme are available via the 'Your Council' area of the website.

Local Code provisions	2018/19 review
<ul style="list-style-type: none"> Having a Senior Leadership Team which includes the Chief Executive and Directors' Monitoring Officer and the Chief Financial Officer have access to papers and minutes. Corporate Management Team which includes all Assistant Directors meet bi weekly: key messages are published on the Council's Corporate Bulletin Board 	<p>Arrangements were modified during 2018/19. Key messages from CMT are published on SharePoint.</p>
<ul style="list-style-type: none"> Having published procedures to demonstrate compliance with the Freedom of Information Act and the Environmental Information Regulations 	<p>There is a specific area on the Council's website around FOI and data transparency.</p>
<p>Demonstrating strong commitment to ethical values (Principle 1). This is done by:</p>	
<ul style="list-style-type: none"> Having a Constitution which sets out clearly the roles and duties of the Council's statutory officers, that is, the Chief Executive, Chief Finance Officer (Director of Finance) and the Monitoring Officer (Deputy Chief Executive). The Constitution sets out key aspects of the Council's internal control mechanism, in particular, the Accounting and Audit Rules, the Procurement Rules and the Scheme of Delegation 	<p>Constitution (Articles of Constitution: Part 2)</p> <p>Constitution (Rules of Procedure).</p>
<ul style="list-style-type: none"> The Constitution being reviewed annually 	<p>Review: Council, April 2018 (CL/128/04/18).</p>
<ul style="list-style-type: none"> Maintaining an Accounts and Governance Committee that meets regularly and takes an active interest in the maintenance of standards across the Council. In particular, it is responsible for monitoring the corporate Complaints Procedure 	<p>As above; responsibility for standards in place as per article 9 of the Constitution, complaints recently featured on the agenda, for example, Agc/27/9/18.</p>

Local Code provisions	2018/19 review
<ul style="list-style-type: none"> All reports have to be seen by the Chief Finance Officer and the Monitoring Officer. Completion of these governance checks has to be noted on the report 	<p>Governance check boxes are included in the committee report templates, at the end of all committee reports.</p>
<ul style="list-style-type: none"> Having a clear documented approach to fraud and whistleblowing, which is regularly updated and communicated to staff and is in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014) 	<p>Anti-Fraud, Theft, Bribery and Corruption Strategy and Response Plan; Annual Review AGC/24/9/18.</p> <p>Whistleblowing Policy, review AGC, 29/11/2018, item 8.</p> <p>All staff attend training events biennially. The last ones were May 2018.</p>
<ul style="list-style-type: none"> Having a policy on the Regulation of the Investigatory Powers Act (RIPA) 	<p>RIPA Policy reviewed by Executive on 5/6/2018 along with an update and amendment as to the use of RIPA by Council officers. An external inspection on the Council's RIPA procedures was completed in March 2019, any recommendations to improve these will be considered.</p>
<ul style="list-style-type: none"> Having a clear Complaints Procedure 	<p>Complaints Procedure through the website, monitored by Accounts and Governance Committee.</p>
<ul style="list-style-type: none"> Using complaints and compliments as a positive improvement tool 	<p>Annual Review: Accounts and Governance Committee, G27/09/18, appendix 4 details actions taken in response to complaints.</p>

Local Code provisions	2018/19 review
Respecting the rule of law (Principle 1). This is done by:	
<ul style="list-style-type: none"> Having a Constitution which sets out clearly the roles and duties of the Council's statutory officers, that is, the Chief Executive, Chief Finance Officer (Director of Finance) and the Monitoring Officer (Deputy Chief Executive). The Constitution sets out key aspects of the Council's internal control mechanism, in particular, the Accounting and Audit Rules, the Procurement Rules and the Scheme of Delegation 	See Constitution via website.
<ul style="list-style-type: none"> The Monitoring officer and S151 officer sign off every committee report. 	See details of Council structure via website and evidence of sign off on committee reports on all published agenda reports.
Openness (Principle 2). This is done by:	
<ul style="list-style-type: none"> Conducting as much Council business in public as possible 	For example, committee reports and agendas, transparency data on the website, responses to FOIs now published on the website, only using Part II reporting where necessary.
<ul style="list-style-type: none"> Providing full information on the Council's business on its website 	Home page.
<ul style="list-style-type: none"> The Council meets 9 times per year. The Executive meets monthly: committees and panels meet regularly as set out in the Constitution. Apart from exempt items, all formal business is open to the public. Reports and minutes are publicly available 	Committee timetable; Corporate Management Team seek to minimise Part II exempt items. Members can challenge Part II status at formal meetings of the Council.
<ul style="list-style-type: none"> Clear recording of the reasons for member decisions 	Minutes published for each committee agenda via the Council website.

Local Code provisions	2018/19 review
Respecting the rule of law (Principle 1). This is done by:	
<ul style="list-style-type: none"> Having a clear Complaints Procedure 	Complaints Procedure on website, monitored by Accounts and Governance Committee as set out above.
<ul style="list-style-type: none"> Using complaints and compliments as a positive improvement tool 	As above; annual review of complaints: Accounts and Governance Committee, G27/09/18, appendix 4 details actions taken in response to complaints.
<ul style="list-style-type: none"> Ensuring all inspection and audit reports considered by Members are public documents. Any recommendations from such reports are tracked through regular reports to the Accounts and Governance Committee 	<p>Publication of all external assessments.</p> <p>Internal Audit reports presented regularly through Accounts and Governance Committee agenda, including monitoring of implementation of recommendations, for example, Agc 29/11/18, report F74/18.</p>
<ul style="list-style-type: none"> Having a Statement of Community Involvement 	<p>Agreed December 2013, see also 'Have your say' area on website.</p> <p>The statement of community involvement sits within consultation policy and programme not updated for 2018/19; item for action plan.</p>
Engaging comprehensively with institutional stakeholders (Principle 2). This is done by:	
<ul style="list-style-type: none"> Promoting citizenship by active involvement with local schools 	Regular contact maintained with both primary and secondary schools. Secondary schools are encouraged to visit Council to learn about the role of Local Government.

Local Code provisions	2018/19 review
Respecting the rule of law (Principle 1). This is done by:	
<ul style="list-style-type: none"> Actively consulting through a range of channels 	<p>‘Have your Say’ web page summarises and links through to all the Council's consultation work.</p> <p>Some elements of this page require updating, see the action plan.</p>
<ul style="list-style-type: none"> Holding a Community Conference, which includes a wider range of public, private and voluntary organisations to inform the Council Plan 	<p>Feedback from Community Conference on 22 November 2014 informed the 2015/19 Council Plan.</p> <p>The new Council plan for 2019 onwards is currently in development and is due to go out for public consultation. This may involve a number of different channels to ensure wide consultation.</p>
<ul style="list-style-type: none"> Using a range of customer feedback mechanisms including satisfaction surveys 	<p>On a quarterly basis, customer satisfaction questionnaires are sent to randomly selected customers who have used Council services through the website and contact centre. The Council uses public consultations for any significant changes to services.</p>
<ul style="list-style-type: none"> Maintaining and regularly updating a database of all major partnerships that the Council is involved in and that these are in accordance with the Council’s Partnerships’ Protocol 	<p>Report to Scrutiny Co-ordinating Board, 20 September 2018 (SCb/34/9/18).</p>
<ul style="list-style-type: none"> Members reviewing the database in public annually 	<p>As above.</p>

Local Code provisions	2018/19 review
Engaging with individual citizens and service users effectively (Principle 2). This is done by:	
<ul style="list-style-type: none"> Encouraging prospective candidates for election to come forward 	Significant work completed to address level of candidates for 2019 elections, see 'Stand in Eden' via front page of website.
<ul style="list-style-type: none"> Actively consulting through a range of channels 	'Have your Say' web page summarises and links through to all of the Council's consultation work.
<ul style="list-style-type: none"> Communicating to the public through effective use of the media, as set out in the Council's Communication Strategy 	Media Releases Social Media Protocol, Policy and Guidance Communication Strategy.
<ul style="list-style-type: none"> Holding a Community Conference, which includes a wider range of public, private and voluntary organisations to inform the Council Plan 	Feedback from the Community Conference on 22 November 2014 informed the 2015/19 Council Plan.
<ul style="list-style-type: none"> Using a range of customer feedback mechanisms including satisfaction surveys 	These are used by a variety of services, for example, Planning, Environmental Health, and Customer Services.
<ul style="list-style-type: none"> Having a Community Engagement and Consultation section on the website 	Yes, see website.
<ul style="list-style-type: none"> Having a consultation policy and programme 	Yes, see website, consultation policy and programme. This needs updating for 2018/19, included on action plan
<ul style="list-style-type: none"> Using the County Council hosted Consultation Finder on our website 	County Council website, search filter 'Eden'.

Local Code provisions	2018/19 review
Defining outcomes (Principle 3). This is done by:	
<ul style="list-style-type: none"> Having a Council Plan including strategic targets 	Council Plan 2015/19 in place, next iteration is in development.
<ul style="list-style-type: none"> Having an annually updated Corporate Procurement Strategy, based on the National Procurement Strategy for Local Government 	Report to Resources Portfolio, 26 April 2018 (item 2).
<ul style="list-style-type: none"> Council considering its Resources Plan annually 	Considered by Council, September 2018, F55/18.
<ul style="list-style-type: none"> Having a published Customer Charter 	Customer Charter published on website.
Sustainable economic, social and environmental benefits (Principle 3). This is done by:	
<ul style="list-style-type: none"> Having a comprehensive approach to emergency and disaster planning. The Council regularly updates its Business Continuity Plan and the Emergency Response Plan, both of which are regularly tested through an exercise 	<p>Business Continuity Plan, Leader Portfolio, 10 April 2018 (item 2).</p> <p>Emergency Response Plan, Leader Portfolio, 10 April 2018 (item 3).</p> <p>Annual Exercise, 22 March 2018.</p>
<ul style="list-style-type: none"> Having a regular Emergency Planning Group which is responsible for maintaining the Eden Emergency Response Plan 	Emergency Planning Group Minutes, on Director of Finance SharePoint site, for example, October 25 2018.
<ul style="list-style-type: none"> Having an 'out of hours' response service 	Duty Office contactable 24/7, via emergency telephone numbers section of website.
<ul style="list-style-type: none"> Having an Access to Services policy 	Equal access to services statement on website.

Local Code provisions	2018/19 review
Defining outcomes (Principle 3). This is done by:	
<ul style="list-style-type: none"> Considering the economic, social and environmental benefits as part of the decision making process. 	The impact needs to be commented on in all committee reports, 'part 6.4 statutory considerations'.
Determining interventions (Principle 4). This is done by:	
<ul style="list-style-type: none"> An Efficiency and Value for Money Policy (reviewed biennially) 	Resources Portfolio, 13 April 2017 (item 2).
<ul style="list-style-type: none"> Clear recording of the reasons for member decisions 	Minutes published for all committee meetings.
Planning interventions (Principle 4). This is done by:	
<ul style="list-style-type: none"> Stating clear and meaningful priorities and having effective arrangements in place to monitor progress against these 	Council Plan 2015/19, Council, 17 September 2015 (item 10), plus monitoring of Council plan objectives through Scrutiny Co-ordinating Board.
<ul style="list-style-type: none"> Setting clear targets which translate the agreed priorities into outcomes. These are regularly reviewed 	Portfolio Plans updated annually and linked to corporate priorities. Example: Resources Portfolio Plan 2018/19 at June 28 2018 Resources PH meeting - Half-yearly monitoring, Resources Portfolio, 29 November 2018.
<ul style="list-style-type: none"> A regular review of the Council's priorities 	Council Plan 2015/19, Council, 17 September 2015 (item 10). The next version of the Council Plan is being developed during 2018/19.

Local Code provisions	2018/19 review
<ul style="list-style-type: none"> Securing continuous improvement through regular savings/ income generation exercises and the annual programme of Scrutiny Committee reviews 	<p>Approval of Revenue and Capital Budgets 2018/19, 15 February 2018.</p> <p>Scrutiny Review programme 2018/19: Scrutiny Co-ordinating Board, 24 May 2018. Officer working group 20 December 2018.</p>
<ul style="list-style-type: none"> Ensuring that the financial management of the Council is sound, by regular and timely reporting to budget holders, Management Team, Leaders and the Council as a whole. This includes both revenue and capital monitoring. It is the responsibility of the relevant budget holder to investigate and take action on any identified budget variance. Every budget is owned by a budget holder 	<p>Monthly revenue budgets report to Management Team and the Resources Portfolio Holder.</p> <p>Quarterly Revenue and Capital Monitoring reports to Management Team and Executive, for example, Q2 2018/19 report F73/18 reported to November Executive and Scrutiny Coordinating Board.</p>
<ul style="list-style-type: none"> Regularly monitoring key service delivery indicators through regular reports to the Corporate Management Team and the Leader. Where below target performance is seen as significant, explanations and proposed corrective actions are requested 	<p>Key PI report to Management Team; Council Plan monitoring through Portfolio Holder meetings and Scrutiny Coordinating Board, for example, F77/18 Resources Portfolio Holder half yearly monitoring, reported to Scrutiny Coordinating Board 15 November 2018.</p>
<ul style="list-style-type: none"> Providing strategic management through the monthly meeting of the Executive and weekly Leader and Chief Executive meetings 	<p>Executive minutes.</p> <p>Leader/Chief Executive notes.</p>
<ul style="list-style-type: none"> Clearly placing policy development as the role of the Executive 	<p>Constitution (responsibility for functions) p107, para 6.1.</p>

Local Code provisions	2018/19 review
Optimising achievement of intended outcomes (Principle 4). This is done by:	
<ul style="list-style-type: none"> Having an annually updated Corporate Procurement Strategy, based on the National Procurement Strategy for Local Government 	Report to Resources Portfolio, 26 April 2018.
<ul style="list-style-type: none"> Council considering its Resources Plan annually 	Considered Council, 6 September 2018.
<ul style="list-style-type: none"> Setting a medium term financial strategy based on regularly refreshed priorities 	MTFP reviewed bi annually as part of budget setting process. Budget report February Council 2018.
<ul style="list-style-type: none"> Ensuring that any new bid for resources is judged against how far it advances corporate priorities and objectives 	Corporate Priorities are included within all committee reports; any bid for resources would need to be clear how it fits with these. Budget growth bids are considered by Portfolio Holders and then approved by Executive, for example, see December 11 2018 budget report to Executive.
<ul style="list-style-type: none"> Securing continuous improvement through regular savings/ income generation exercises and the annual programme of Scrutiny Committee reviews 	<p>Approval of Revenue and Capital Budgets 2018/19, 15 February 2018.</p> <p>Scrutiny Review programme 2018/19: Scrutiny Co-ordinating Board, 24 May 2018.</p> <p>Officer working group 20 December 2018.</p>

Local Code provisions	2018/19 review
<ul style="list-style-type: none"> Ensuring that the financial management of the Council is sound, by regular and timely reporting to budget holders, Management Team, Leaders and the Council as a whole. This includes both revenue and capital monitoring. It is the responsibility of the relevant budget holder to investigate and take action on any identified budget variance. Every budget is owned by a budget holder 	<p>Monthly revenue budgets report to Corporate Management Team and the Resources Portfolio Holder.</p> <p>Quarterly Revenue and Capital Monitoring reports to Corporate Management Team and Executive, for example, Q2 2018/19 report F73/18 reported to November Executive and Scrutiny Coordinating Board.</p>
<p>Developing the entity's capacity (Principle 5). This is done by:</p>	
<ul style="list-style-type: none"> Having clear, published employee policies 	<p>Codified through Constitution with further detailed policies as required.</p>
<ul style="list-style-type: none"> Maintaining and updating a triennial Asset Management Plan 	<p>Asset Management Plan 2018/21 completed.</p>
<ul style="list-style-type: none"> Holding a regular cross departmental Asset Management Group 	<p>Asset Management Group meetings, last held 1/11/2018.</p>
<ul style="list-style-type: none"> Considering cost against a 'family' group of local authorities 	<p>Report to Scrutiny Co-ordinating Board, 5 April 2018 F18/8.</p>
<ul style="list-style-type: none"> Adopting a 'what works' basis to service provision by using in-house provision, outsourcing, sharing service provision and partnership arrangements as appropriate 	<p>Outsourcing of blue collar services, leisure management, pest control, internal audit (part) and arboriculture, major capital scheme management. Provision by another local authority of services, for example, car parks (enforcement and cash collection), procurement and emergency planning support. Shared IT Service with South Lakeland District Council.</p>

Local Code provisions	2018/19 review
Developing the capability of the entity's leadership and other individuals (Principle 5). This is done by:	
<ul style="list-style-type: none"> • Providing strategic management through the monthly meeting of the Executive and weekly Leader and Chief Executive meetings 	<p>Executive minutes.</p> <p>Leader/Chief Executive notes.</p>
<ul style="list-style-type: none"> • Clearly setting out the rules for the Executive, Scrutiny Committee and the regulatory committees in the Constitution 	<p>Constitution (responsibility for functions/rules of procedure).</p>
<ul style="list-style-type: none"> • The Executive meets monthly: committees and panels meet regularly as set out in the Constitution. Apart from exempt items, all committee business is open to the public. Reports and minutes are publicly available 	<p>Committee timetable.</p>
<ul style="list-style-type: none"> • Providing job descriptions for all Member roles within the Constitution 	<p>As set out in the Constitution, part 3 schedule 1, page 117.</p>
<ul style="list-style-type: none"> • Having a Constitution which sets out clearly the roles and duties of the Council's statutory officers, that is, the Chief Executive, Chief Finance Officer (Director of Finance) and the Monitoring Officer (Deputy Chief Executive). The Constitution sets out key aspects of the Council's internal control mechanism, in particular, the Accounting and Audit Rules, the Procurement Rules and the Scheme of Delegation 	<p>As codified in the Constitution.</p>
<ul style="list-style-type: none"> • Clearly stating powers delegated to officers and ensuring that these are maximised 	<p>As codified in the Constitution.</p>
<ul style="list-style-type: none"> • Having a Scheme of Delegation which clearly sets out decisions delegated to officers. This is annually reviewed and updated 	<p>As codified in the Constitution, annual review Council, 19 April 2018 G35/18.</p>

Local Code provisions	2018/19 review
<ul style="list-style-type: none"> Giving effective induction training to new Elected Members and staff including Senior Officers 	<p>Training is delivered on a regular basis for Members. Planning and Licensing training is compulsory every year for any member of those committees. Training sessions are provided on other topics such as Annual Accounts, Universal Credit and any other topic which may be beneficial for Members.</p> <p>A full training induction programme will be provided for all Councillors after the May 2019 elections.</p> <p>Monitored through Accounts and Governance Committee as reported in February 2019.</p>
<ul style="list-style-type: none"> Providing proactive Member training 	<p>Annual Member training timetable.</p> <p>Training is a standing item on the agenda of all group meetings</p>
<ul style="list-style-type: none"> Having a performance and appraisal system so that all members of staff know what is expected of them. In addition, an annual training plan is agreed as part of the appraisal process 	<p>The corporate performance management system is currently under review, including individual appraisals. Not added to AGS action plan as included within management top 20 monitoring through SLT/CMT.</p>

Local Code provisions	2018/19 review
Managing Risk (Principle 6). This is done by:	
<ul style="list-style-type: none"> The Executive receives regular reports on budgets, capital scheme progress and the Risk Register 	<p>Budgets: for example, Executive 11 December 2018.</p> <p>Risk Register: e-mailed out quarterly for review and put on the Corporate Bulletin Board.</p>
<ul style="list-style-type: none"> The Council having a Risk Management Strategy which is annually reviewed and updated 	<p>Risk Management Strategy in place, updated May 2018: Risk Management Strategy</p>
<ul style="list-style-type: none"> The Council maintaining a Risk Register. This is reviewed quarterly by the Management Team and Executive. It is scrutinised annually by the Scrutiny Co-ordinating Board and the Management Team. After each quarterly update, all staff are reminded of its presence. New risks are often identified outside the quarterly reviews, mainly through Management Team discussion on particular issues 	<p>Scrutiny Co-ordinating Board, 24 May 2018 F31/18.</p>
<ul style="list-style-type: none"> Having a 'Risk Management Implications' section in all committee reports 	<p>Forms part of the reports template, see examples on any agenda.</p>

Local Code provisions	2018/19 review
Managing performance (Principle 6). This is done by:	
<ul style="list-style-type: none"> Enabling Scrutiny to ‘call-in’ any Executive decisions contrary to the Budgetary and Policy framework Having codes of conduct for officers and for Members in which there is guidance on officer/Member relationships 	Call-in procedures are set out in Scrutiny Procedure rules within the constitution. Protocol on Officer/Member relations also included in the Constitution, Part 5, E.
<ul style="list-style-type: none"> Maintaining and updating a triennial Asset Management Plan 	Asset Management Plan refreshed during 2018/19.
<ul style="list-style-type: none"> Holding a regular cross departmental Asset Management Group 	Asset Management Group meetings held regularly, for example, 1/11/2018.
Robust internal control (Principle 6). This is done by:	
<ul style="list-style-type: none"> Having a Confidential Reporting Code which clearly documents the procedure for staff to report matters of concern, which is regularly updated and communicated to staff 	Confidential Reporting Code 2017, reviewed by Accounts and Governance Committee: see AGc/19/9/17.
<ul style="list-style-type: none"> Having an annually updated Anti-Fraud, Theft, Bribery and Corruption Policy which is in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014) 	<p>Anti-Fraud, Theft, Bribery and Corruption Strategy and Response Plan; Annual Review AGc/24/9/18.</p> <p>Whistleblowing Policy, review AGC, 29/11/2018, item 8.</p>
<ul style="list-style-type: none"> Maintaining an effective internal audit function 	<p>Internal Audit Charter Annual Review by Accounts and Governance Committee, June 2018, AGc/6/06/18.</p> <p>CIPFA external review of internal audit function reported November 2018 AGc/40/11/18.</p>

Local Code provisions	2018/19 review
<ul style="list-style-type: none"> Maintaining robust financial control with a suitably qualified section 151 Officer. 	<p>The Council complies with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015). Additional commentary is included in the AGS about local arrangements following the Fit for Purpose Review.</p>
<p>Managing data (Principle 6). This is done by:</p>	
<ul style="list-style-type: none"> Having a Data Quality Statement 	<p>Approved by Management Team, 15 March 2016 (item 7).</p>
<ul style="list-style-type: none"> Having a clear and effective policy on data protection 	<p>Data Protection Policy reviewed at Exec December 4th 2018, E83/12/18</p>
<ul style="list-style-type: none"> Having clear and effective information governance policies, systems and procedures 	<p>This will include effective records management policies, systems and procedures, including a Retention Schedule.</p> <p>For example, E/7/6/18 updated privacy policy.</p>
<ul style="list-style-type: none"> Having clear and effective information security policies, systems and procedures 	<p>Revised policies and agreements adopted at Executive on 3 April 2018.</p>
<ul style="list-style-type: none"> Having and maintaining an ICT Services Risk Register 	<p>An internal document held by IT Services used to help manage risks around electronic data sources.</p>

Local Code provisions	2018/19 review
Strong public financial management (Principle 6). This is done by:	
<ul style="list-style-type: none"> Setting a medium term financial strategy based on regularly refreshed priorities 	MTFP reviewed twice a year as part of budget setting process. To be presented as part of February 2019 Council papers.
<ul style="list-style-type: none"> Considering cost against a 'family' group of local authorities 	Report to Scrutiny Co-ordinating Board, 5 April 2018, F18/18.
<ul style="list-style-type: none"> Ensuring that any new bid for resources is judged against how far it advances corporate priorities and objectives 	Resources plan considered Council September 2018, CI/39/9/18.
<ul style="list-style-type: none"> Securing continuous improvement through regular savings/income generation exercises and the annual programme of Scrutiny Committee reviews 	<p>Annual budget process and external audit Value for Money assessment.</p> <p>Scrutiny Work Programme reviewed regularly at SCB, for example, G85/18, 15 November 2018.</p> <p>A Commercial Plan is in place and forms part of the Council's Policy Framework.</p>
<ul style="list-style-type: none"> Ensuring that the financial management of the Council is sound, by regular and timely reporting to budget holders, Management Team, Leaders and the Council as a whole. This includes both revenue and capital monitoring. It is the responsibility of the relevant budget holder to investigate and take action on any identified budget variance. Every budget is owned by a budget holder 	Quarterly Revenue and Capital Monitoring reports to Management Team and Executive (for example, Q2 monitoring 2018/19 presented to Executive, 6 November 2018, F73/18).

Local Code provisions	2018/19 review
<ul style="list-style-type: none"> The Executive receives regular reports on budgets, capital scheme progress and the Risk Register 	See Executive agendas for quarterly budget monitoring. Risk Register: e-mailed out quarterly for review
Implementing good practice in transparency (Principle 7). This is done by:	
<ul style="list-style-type: none"> Providing full information on the Council's business on its web 	See Home page.
<ul style="list-style-type: none"> Compliance with the Local Government Transparency Code and Open Data 	https://www.eden.gov.uk/your-council/council-business/open-data/
<ul style="list-style-type: none"> The Council meets nine times per year. The Executive meets monthly: committees and panels meet regularly as set out in the Constitution. Apart from exempt items, all committee business is open to the public. Reports and minutes are publicly available 	Committee timetable and Constitution set out when items will be discussed and reasons for any Part II items.
Implementing good practices in reporting (Principle 7). This is done by:	
<ul style="list-style-type: none"> Conducting as much Council business in public as possible 	Committee agendas show few reports in private.
<ul style="list-style-type: none"> Clear recording of the reasons for member decisions 	Minutes produced and published on the website for all committee meetings.
<ul style="list-style-type: none"> The Scrutiny Co-ordinating Board is responsible for risk management arrangements 	Established and functioning as per the Constitution.

Local Code provisions	2018/19 review
Assurance and effective accountability (Principle 7). This is done by:	
<ul style="list-style-type: none"> Maintaining an Accounts and Governance Committee that meets regularly and takes an active interest in the maintenance of standards across the Council. In particular, it is responsible for monitoring the corporate Complaints Procedure 	Terms of Reference for AGC are set out in the constitution. CIPFA external review of AGC function reported February 2019.
<ul style="list-style-type: none"> Council considers the Annual Audit Letter from the external auditor 	Reported to Council, September 2018, CI/40/09/18.
The Accounts and Governance Committee:	
<ul style="list-style-type: none"> Approves the annual accounts 	Constitution, Part 3. See AGC agenda 26 July 2018, F54/18
<ul style="list-style-type: none"> Approves the Annual Governance Statement 	See AGC agenda 26 July 2018, F54/18.
<ul style="list-style-type: none"> Receives all reports from the Internal Audit service and the external auditor 	Constitution, Part 3, for example, see F82/18 and F76/18 on 29 November 2018 AGC agenda.
<ul style="list-style-type: none"> Approves the Anti-Fraud, Theft and Corruption Strategy which is in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014) 	Anti-Fraud, Theft, Bribery and Corruption Strategy and Response Plan; Annual Review AGC/24/9/18.

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Report No: G37/19

**Eden District Council
Accounts and Governance Committee**

18 April 2019

Local Government Ethical Standards

Portfolio:	None
Report from:	Director of Corporate Services
Wards:	ALL WARDS
OPEN PUBLIC ITEM	

1 Purpose

- 1.1 That the Committee note the report of the Committee on Standards in Public Life and considers any actions arising to feed into future work programming.

2 Recommendation

It is recommended that Committee:

- (1) notes the report; and
- (2) notes that the Monitoring Officer will consider the list of best practice recommendations, and will discuss with the Cumbrian Monitoring Officers and CALC any potential revisions to the existing code of conduct and/or guidance for a further report back to Committee.

3 Report Details

- 3.1 The long awaited review on Local Government Ethical Standards was published by the Committee on Standards in Public Life on 30 January 2019. Due its size, copies of the report have been circulated to members of the committee by email and the document can also be found at <https://www.gov.uk/government/publications/local-government-ethical-standards-report>
- 3.2 The review concludes that the evidence “supports the view that the vast majority of councillors maintain high standards of conduct. There is however clear evidence nationally of misconduct by some councillors, the majority of cases relating to bullying or harassment or other disruptive behaviour”. The review was “also concerned about a risk to standards under the current arrangements, as a result of the current rules around declaring interests, gifts and hospitality, and the increased complexity of local government decision-making.”
- 3.3 The review concluded that there is no reason to reintroduce a centralised body, and the local authorities should retain ultimate responsibility for implementing and applying the Seven Principles of Public Life in local government.

- 3.4 The report identified a number of recommendations and best practice to improve ethical standards in local government. They recommended a number of changes to primary and secondary legislation and indicated that their best practice recommendations should be considered a “benchmark of good ethical practice, which we expect that all local authorities can and should implement”. They are to review implementation of best practice further in 2020.
- 3.5 The list of recommendations made through the review are attached at appendix 1. The list of best practice is shown as appendix 2.
- 3.6 The majority of recommendations are for Government to consider making changes to primary or secondary legislation. It is noted that the Local Government Association has a recommendation to create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government.
- 3.7 The Council already requires registration of some “other registrable interests” which touch upon recommendations 5 and 6. With reference to recommendation 20 the majority of parishes within Cumbria operate the same code as the District or Borough Councils. It is suggested that any review of this should be undertaken collaboratively through the Cumbria Monitoring Officer group.
- 3.8 The Council already undertakes some of the list of best practice, as follows:
- 4 – the code and arrangements are available to councillors and the public through the website;
 - 7 – the council has access to 2 Independent Persons and also to Independent Persons from neighbouring authorities if required;
 - 8 – the Independent Person is consulted as to whether to undertake a formal investigation on an allegation and is able and does comment on allegations received;
 - 10 – information on how to complain and the Council’s standards arrangements are accessible on the website;
 - 12 – the Monitoring Officer role within the constitution and the Monitoring Officer Protocol reflects this guidance;
 - 13 – if there are conflicts of interest then these can be addressed by arrangements with neighbouring authorities;
- 3.9 It is proposed that these issues be considered further as part of the Committee’s work programme, and for the Cumbria Monitoring Officers/CALC to discuss the recommendations put forward with regard to the code of conduct and guidance to consider specific provisions around bullying, etc. as set out in the best practice recommendations 1 and 2.
- 3.10 Members are requested to note the report, and that the Monitoring Officer will discuss with the Cumbria Monitoring Officers and CALC any potential revisions around the code of conduct and/or guidance. This may be dependent on any model code being produced. Members are requested to provide feedback. It is the Monitoring Officer view that we should endeavour

that if there are changes these can be agreed and adopted at Parish as well as District/County level Cumbria wide.

4 Policy Framework

4.1 The Council has four corporate priorities which are:

- Decent Homes for All;
- Strong Economy, Rich Environment;
- Thriving Communities; and
- Quality Council

4.2 This report meets the Quality Council corporate priority.

5 Consultation

5.1 The Cumbrian Monitoring Officers have met to discuss the findings and will collectively consider the best value recommendations for further report back to Committee.

6 Implications

6.1 Financial and Resources

6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2015-19 as agreed at Council on 17 September 2015.

6.1.2 There are no proposals in this report that would reduce or increase resources.

6.2 Legal

6.2.1 There are no specific legal issues arising from this report. The Council is required to have appropriate governance arrangements in place and to comply with the legislation as existing.

6.3 Human Resources

6.3.1 There are no specific human resources issues arising from this report.

6.4 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	There are no equality issues arising out of the report.
Health, Social Environmental and Economic Impact	Not applicable.
Crime and Disorder	Not applicable.
Children and Safeguarding	Not applicable.

6.5 Risk Management

Risk	Consequence	Controls Required
That the Council's Code of Conduct for Members and associated practice and procedures are out of date	The Ethical Standards Framework of the Council does enable with Code of Conduct issues in an appropriate way.	Active consideration of the recommendations and recommended best practice as set out in the report of the Committee on Standards in Public Life.

7 Other Options Considered

- 7.1 The report is to note. The recommendations follow up best practice for further report back to Committee.

8 Reasons for the Decision/Recommendation

- 8.1 To enable the Committee to be properly briefed on the latest report of the Committee on Standards in Public Life

Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	9 April 2019
Monitoring Officer (or Deputy)	2 April 2019
Relevant Director	1 April 2019

Background Papers:

Appendices:

Appendix 1 - List of Recommendations

Appendix 2 - List of Best Practice

Contact Officer:

Mr M Neal, Director of Corporate Services

Direct Dial 01768 212237



List of recommendations

Number	Recommendation	Responsible body
1	The Local Government Association should create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government.	Local Government Association
2	The government should ensure that candidates standing for or accepting public offices are not required publicly to disclose their home address. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to clarify that a councillor does not need to register their home address on an authority's register of interests.	Government
3	Councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly-accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.	Government
4	Section 27(2) of the Localism Act 2011 should be amended to state that a local authority's code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority.	Government
5	The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to include: unpaid directorships; trusteeships; management roles in a charity or a body of a public nature; and membership of any organisations that seek to influence opinion or public policy.	Government
6	Local authorities should be required to establish a register of gifts and hospitality, with councillors required to record any gifts and hospitality received over a value of £50, or totalling £100 over a year from a single source. This requirement should be included in an updated model code of conduct.	Government



Number	Recommendation	Responsible body
7	Section 31 of the Localism Act 2011 should be repealed, and replaced with a requirement that councils include in their code of conduct that a councillor must not participate in a discussion or vote in a matter to be considered at a meeting if they have any interest, whether registered or not, “if a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your consideration or decision-making in relation to that matter”.	Government
8	The Localism Act 2011 should be amended to require that Independent Persons are appointed for a fixed term of two years, renewable once.	Government
9	The Local Government Transparency Code should be updated to provide that the view of the Independent Person in relation to a decision on which they are consulted should be formally recorded in any decision notice or minutes.	Government
10	A local authority should only be able to suspend a councillor where the authority’s Independent Person agrees both with the finding of a breach and that suspending the councillor would be a proportionate sanction.	Government
11	Local authorities should provide legal indemnity to Independent Persons if their views or advice are disclosed. The government should require this through secondary legislation if needed.	Government / all local authorities
12	Local authorities should be given the discretionary power to establish a decision-making standards committee with voting independent members and voting members from dependent parishes, to decide on allegations and impose sanctions.	Government
13	Councillors should be given the right to appeal to the Local Government Ombudsman if their local authority imposes a period of suspension for breaching the code of conduct.	Government



Number	Recommendation	Responsible body
14	The Local Government Ombudsman should be given the power to investigate and decide upon an allegation of a code of conduct breach by a councillor, and the appropriate sanction, on appeal by a councillor who has had a suspension imposed. The Ombudsman's decision should be binding on the local authority.	Government
15	The Local Government Transparency Code should be updated to require councils to publish annually: the number of code of conduct complaints they receive; what the complaints broadly relate to (e.g. bullying; conflict of interest); the outcome of those complaints, including if they are rejected as trivial or vexatious; and any sanctions applied.	Government
16	Local authorities should be given the power to suspend councillors, without allowances, for up to six months.	Government
17	The government should clarify if councils may lawfully bar councillors from council premises or withdraw facilities as sanctions. These powers should be put beyond doubt in legislation if necessary.	Government
18	The criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished.	Government
19	Parish council clerks should hold an appropriate qualification, such as those provided by the Society of Local Council Clerks.	Parish councils
20	Section 27(3) of the Localism Act 2011 should be amended to state that parish councils must adopt the code of conduct of their principal authority, with the necessary amendments, or the new model code.	Government
21	Section 28(11) of the Localism Act 2011 should be amended to state that any sanction imposed on a parish councillor following the finding of a breach is to be determined by the relevant principal authority.	Government
22	The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 should be amended to provide that disciplinary protections for statutory officers extend to all disciplinary action, not just dismissal.	Government



Number	Recommendation	Responsible body
23	The Local Government Transparency Code should be updated to provide that local authorities must ensure that their whistleblowing policy specifies a named contact for the external auditor alongside their contact details, which should be available on the authority's website.	Government
24	Councillors should be listed as 'prescribed persons' for the purposes of the Public Interest Disclosure Act 1998.	Government
25	Councillors should be required to attend formal induction training by their political groups. National parties should add such a requirement to their model group rules.	Political groups National political parties
26	Local Government Association corporate peer reviews should also include consideration of a local authority's processes for maintaining ethical standards.	Local Government Association



List of best practice

Our best practice recommendations are directed to local authorities, and we expect that any local authority can and should implement them. We intend to review the implementation of our best practice in 2020.

Best practice 1: Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

Best practice 2: Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation, and prohibiting trivial or malicious allegations by councillors.

Best practice 3: Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

Best practice 4: An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

Best practice 5: Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

Best practice 6: Councils should publish a clear and straightforward public interest test against which allegations are filtered.

Best practice 7: Local authorities should have access to at least two Independent Persons.

Best practice 8: An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.



Best practice 9: Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

Best practice 10: A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

Best practice 11: Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk in all but exceptional circumstances.

Best practice 12: Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

Best practice 13: A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.

Best practice 15: Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

Eden District Council
Accounts and Governance Committee

18 April 2019

Review of the Effectiveness of the Accounts & Governance Committee

Portfolio:	None
Report from:	Director of Corporate Services
Wards:	All Wards
OPEN PUBLIC ITEM	

1 Purpose

- 1.1 To respond to the recommendations of an external review of the Accounts and Governance Committee.

2 Recommendation

It is recommended that:

1. The Committee agrees to perform a self-assessment on an annual basis from 2019/20 onwards and reports this to Council.
2. The Committee is provided with enhanced regular training and supporting materials.
3. Consideration is given to subscribing to CIPFA's Better Governance Forum.

3 Report Details

- 3.1 As reported at Accounts and Governance Committee at its meeting of 21 February 2019, the Chartered Institute of Public Finance and Accountancy ("CIPFA") has undertaken a review of the Accounts and Governance Committee against the best practice framework for Audit Committees. The full report and recommendations were presented on that agenda.
- 3.2 The constitutional working group convened on 12 March 2019 to consider a response to the recommendations, for approval by the Accounts and Governance Committee on 18 April 2019. Responses to each of the recommendations are given below.
- (1) There should be an annual self-assessment of the effectiveness of the Committee using the guidance set out in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities and Police (2018)' and use the outcomes from these reviews to develop and enhance the Committee.

 Response: Agreed, with effect from 2019/20, the proposal being to present a report to the April Accounts and Governance Committee and then to the May Council meeting, to satisfy recommendation 2 below. The Annual Review of Effectiveness is to be included as an annual item on the Committee's work plan.
 - (2) The Committee should produce an annual report to full Council, setting out the work undertaken by the Committee during the year, its achievements, and showing where it has added value to the Council.

 Response: Agreed, as above.

- (3) Officers should put together a programme of training sessions for Members of the Committee, covering the key topics covered by an audit committee.

Response: Agreed and already in progress; a comprehensive calendar of training events for Members is currently being prepared, which will include training for Members of the Accounts and Governance Committee.

- (4) Officers should put together a series of regular briefing papers for Members of the Committee covering current and key topics that should feature the Committee's radar.

Response: Agreed and this will be integral to recommendation 3. Any events will be supported by appropriate training materials for Members.

- (5) Consideration should be given to subscribing to CIPFA's Better Governance Forum, which would give the Council access to a range of specialist advisers, training courses, webinars and quarterly briefings.

Response: Agreed; the cost is circa £2,000 per annum, which could be met from existing budgets. The Assistant Director Finance will consider whether this could be a valuable resource.

- (6) The Committee should consider co-opting an independent and unelected Member to help strengthen the skill sets of the Members.

Response: The Committee agrees to keep this under active review and will include the need for this as part of its Annual Review of Effectiveness (see recommendation 1). It is not judged necessary at present. It is noted that there is professional officer support to the Committee and external assurance provided from both the external auditor and TIAA Limited. The existing arrangements for involvement of independent persons could also be widened to include an explicit invitation to attend Accounts and Governance Committee meetings and comment on agenda items at such meetings.

- (7) Consideration should be given to reducing the size of the Committee.

Response: The Committee agrees that its Members should be actively engaged in its work. It is not judged that reducing the number of Members will achieve this at the present time.

4 Policy Framework

- 4.1 The Council has four corporate priorities, which are:

- Decent Homes for All;
- Strong Economy, Rich Environment;
- Thriving Communities; and
- Quality Council.

- 4.2 This report meets the Quality Council corporate priority.

5 Consultation

- 5.1 The Committee are being asked to approve the proposed responses to the external recommendations.

6 Implications

6.1 Financial and Resources

- 6.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2015-2019, as agreed at Council on 17 September 2015.
- 6.1.2 There are no direct financial or resources implications arising from this report. Subscribing to the Better Governance Forum would cost circa £2,000, which could be found from within existing budgets should it be judged that this is a valuable resource.

6.2 Legal

- 6.2.1 There are no other implications.

6.3 Human Resources

- 6.3.1 There are no Human Resources implications.

6.4 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	There are no implications
Health, Social Environmental and Economic Impact	There are no implications
Crime and Disorder	There are no implications
Children and Safeguarding	There are no implications

6.5 Risk Management

Risk	Consequence	Controls Required
No change following the review.	The Committee misses the opportunity to improve effectiveness.	Consideration of the recommendations and implementation where these are agreed.

7 Other Options Considered

- 7.1 No other options have been considered.

8 Reasons for the Decision/Recommendation

- 8.1 To enable Members to approve and agree a course of action following the review of effectiveness.

Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	27 March 2019
Monitoring Officer (or Deputy)	28 March 2019
Director	2 April 2019

Background Papers: Review of Accounts and Governance Committee, as reported to Accounts and Governance Committee, 21 February 2019

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